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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2017
Commission file number: 001-16853

OR

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

For the transition period from __________ to __________
Commission File No. 000-22490

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

Tennessee	**62-1120025**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1915 Snapps Ferry Road, Building N Greeneville, Tennessee	**37745**
(Address of principal executive offices)	(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	**The Nasdaq Stock Market LLC**

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

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

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

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 checkmark 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 aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $1,581,907,549 as of June 30, 2017.

The number of shares outstanding of the Registrant's common stock (as of February 20, 2018): 29,584,537

Documents Incorporated By Reference

Portions of the proxy statement for the 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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Forward Air Corporation

Introductory Note

This Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (this "Form 10-K") contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. In this Form 10-K, forward-looking statements include, but are not limited to, any projections of earnings, revenues, or other financial items; any statement of plans, strategies, and objectives of management for future operations; any statements regarding future insurance and claims; any statements concerning proposed or intended new services or developments; any statements regarding intended expansion through acquisition or greenfield startups; any statements regarding future economic conditions or performance; and any statements of belief and any statements of assumptions underlying any of the foregoing. Some forward-looking statements may be identified by use of such terms as "believes," "anticipates," "intends," "plans," "estimates," "projects" or "expects." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, the creditworthiness of our customers and their ability to pay for services rendered, the availability and compensation of qualified independent owner-operators and freight handlers as well as contracted, third-party carriers needed to serve our customers' transportation needs, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, our inability to maintain our historical growth rate because of a decreased volume of freight or decreased average revenue per pound of freight moving through our network, loss of a major customer, increasing competition and pricing pressure, our ability to secure terminal facilities in desirable locations at reasonable rates, our inability to successfully integrate acquisitions, claims for property damage, personal injuries or workers' compensation, enforcement of and changes in governmental regulations, environmental and tax matters, and the handling of hazardous materials. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. Business

Overview

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

Services Provided

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

Expedited LTL. We operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited LTL offers customers local pick-up and delivery and other services including shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. Because of our roots in serving the deferred air freight market, our terminal network is located at or near airports in the United States and Canada. During the year ended December 31, 2017, Expedited LTL accounted for 56.3% of our consolidated revenue.

TLS. We provide expedited truckload brokerage, dedicated fleet services, as well as high security and temperature-controlled logistics services in the United States and Canada. During the year ended December 31, 2017, TLS accounted for 16.3% of our consolidated revenue.

Intermodal. We provide first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and Container Freight Station ("CFS") warehouse and handling services.

Today, Intermodal operates primarily in the Midwest and Southeast, with a smaller operational presence in the Southwest. We plan to grow Intermodal's geographic footprint through acquisitions as well as greenfield start-ups where we do not have an acceptable acquisition target. During the year ended December 31, 2017, Intermodal accounted for 13.5% of our consolidated revenue.

Pool Distribution. We provide high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. We offer this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States. During the year ended December 31, 2017, Pool Distribution accounted for 14.9% of our consolidated revenue.

Strategy

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

- *Expand Service Offerings.* We believe we can increase freight volumes and revenues by offering new and enhanced services that address more of our customers' premium transportation needs. In the past few years, we have added or enhanced LTL pickup and delivery, customer label integration, expedited truckload, temperature-controlled shipments, warehousing, drayage, customs brokerage and shipment consolidation and handling services. These services benefit our existing customers and increase our ability to attract new customers.

- *Enhance Information Systems.* We are committed to the development and enhancement of our information systems in order to provide us competitive service advantages and increased productivity. We believe our information systems have and will assist us in capitalizing on new business opportunities with existing and new customers.

- *Pursue Strategic Acquisitions.* We continue to evaluate and pursue acquisitions that can increase our penetration of a geographic area; add new customers, business verticals and services; and increase freight volume. For example, we acquired Central States Trucking Co. ("CST") in 2014. CST provides industry-leading container and intermodal drayage services within the Midwest, Southeast and Southwest regions of the United States. CST also provides linehaul service within the LTL space as well as dedicated contract and CFS warehouse services. Since our acquisition of CST in 2014, CST has completed six acquisitions. In 2017, CST acquired certain assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (together referred to as "Atlantic") and certain assets of Kansas City Logistics, LLC ("KCL").

Operations

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

Expedited LTL

Overview

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

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Operations

Our Expedited LTL network consists of terminals located in the following 94 cities:

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

*   Denotes an independent agent location.
**   Denotes a location with combined Expedited LTL and Pool Distribution operations.
*** Denotes a location in which Expedited LTL is an agent for Pool Distribution.
****Denotes a location with combined Expedited LTL and Intermodal operations.

Independent agents operate 23 of our Expedited LTL locations. These locations typically handle lower volumes of freight relative to our Company-operated facilities.

Shipments

During 2017, approximately 30.1% of the freight handled by Expedited LTL was for overnight delivery, approximately 55.6% was for delivery within two to three days and the balance was for delivery in four or more days.

The average weekly volume of freight moving through our Expedited LTL network was approximately 49.5 million pounds per week in 2017. During 2017, our average shipment weighed approximately 623 pounds. Although we impose no significant size or weight restrictions, we focus our marketing and price structure on shipments of 200 pounds or more.

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

The table below summarizes the average weekly volume of freight moving through our network for each year since 2003.

Year	Average Weekly Volume in Pounds (In millions)
2003	25.3
2004	28.7
2005	31.2
2006	32.2
2007	32.8
2008	34.2
2009	28.5
2010	32.6
2011	34.0
2012	34.9
2013	35.4
2014	37.4
2015	47.2
2016	46.5
2017	49.5

Purchased Transportation

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

We seek to establish long-term relationships with owner-operators to assure dependable service and availability. Historically, Expedited LTL has experienced significantly higher-than-industry average retention of owner-operators. Expedited LTL has established specific guidelines relating to safety records, driving experience and personal evaluations that we use to select our owner-operators. To enhance our relationship with the owner-operators, Expedited LTL seeks to pay rates that are generally above prevailing market rates and our owner-operators often are able to negotiate a consistent work schedule for their drivers. Usually, owner-operators negotiate schedules for their drivers that are between the same two cities or along a consistent route, improving quality of work life for the drivers of our owner-operators and, in turn, increasing our driver retention.

As a result of efforts to expand our logistics and other services, seasonal demands and volume surges in particular markets, we also purchase transportation from other surface transportation providers to handle overflow volume. Of the $254.9 million incurred for Expedited LTL's purchased transportation during 2017, we purchased 53.8% from the owner-operators of our licensed motor carrier and 46.2% from other surface transportation providers.

Other Services

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

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

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

Customers

Our wholesale customer base is primarily comprised of freight forwarders, third party logistics (“3PL”) companies, integrated air cargo carriers and passenger, cargo airlines and steamship lines. Expedited LTL’s freight forwarder customers vary in size from small, independent, single facility companies to large, international logistics companies. Our dependable service and wide-ranging service offerings also make Expedited LTL an attractive option for 3PL providers , which is one of the fastest growing segments in the transportation industry. Because we deliver dependable service, integrated air cargo carriers use our network to provide overflow capacity and other services, including shipment of bigger packages and pallet-loaded cargo. In 2017, LTL's ten largest customers accounted for approximately 31% of its operating revenue, but no single customer accounted for more than 10% of our consolidated revenue.

Truckload Premium Services

Overview

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

Operations

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

Operating Statistics

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

Year	Average Weekly Miles (In thousands)
2003	211
2004	260
2005	248
2006	331
2007	529
2008	676
2009	672
2010	788
2011	876
2012	1,005
2013	1,201
2014	1,185
2015	1,459
2016	1,756
2017	1,902

Transportation

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

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

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

In addition to our owner-operators and company fleet, we also purchase transportation from other surface transportation providers (including Expedited LTL) to serve our customers' needs. TLS' brokerage operation has relationships with over 4,400 qualified carriers. Of the $143.0 million incurred for TLS transportation during 2017, we purchased 34.5% from the owner-operators of our licensed motor carrier, 8.2% from our company fleet and 57.3% from other surface transportation providers.

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

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

Customers

Our customer base is primarily comprised of freight forwarders, third party logistics companies, integrated air cargo carriers, passenger and cargo airlines, and LTL carriers, as well as retail, life-science companies, and their distributors. TLS' customers include Fortune 500 pharmaceutical manufacturers and distributors, as well as transportation companies. In 2017, TLS' ten largest customers accounted for approximately 77% of its operating revenue but no single customer accounted for more than 10% of our consolidated revenue.

Intermodal

Overview

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

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

Operations

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

City	
Atlanta, GA	Joliet, IL
Charleston, SC	Kansas City, MO
Charlotte, NC	Memphis, TN
Chicago/Joliet, IL	Milwaukee, WI
Cincinnati, OH	Minneapolis, MN
Cleveland, OH	Nashville, TN
Dallas, TX	Norfolk, VA
Houston, TX	Rochelle, IL
Indianapolis, IN	Romulus, MI
Jacksonville, FL	Savannah, GA

Transportation

Intermodal utilizes a mix of Company-employed drivers, owner-operators and third party carriers. During 2017, approximately 19.7% of Intermodal's direct transportation expenses were provided by Company-employed drivers, 78.8% by owner-operators and 1.5% was provided by third party carriers.

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

Customers

Intermodal's customer base is primarily comprised of international freight forwarders, passenger and cargo airlines and steamship lines. In 2017, Intermodal's ten largest customers accounted for approximately 31% of its operating revenue but no single customer accounted for more than 10% of our consolidated revenue.

Pool Distribution

Overview

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

Operations

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

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

* Denotes an independent agent station.
** Denotes a location in which Expedited LTL is an agent for Pool Distribution.
*** Denotes a location with combined Expedited LTL and Pool Distribution operations.

Transportation

Pool Distribution provides transportation services through a mix of Company-employed drivers, owner-operators and third party carriers. The mix of sources utilized to provide Pool transportation services is dependent on the individual markets and related customer routes. During 2017, approximately 37.0% of Pool's direct transportation expenses were provided by Company-employed drivers, 34.4% by owner-operators and 28.6% was provided by third party carriers.

Customers

Pool Distribution's customer base is primarily composed of national and regional retailers and distributors. Pool's three largest customers accounted for approximately 41% of Pool Distribution's 2017 operating revenue, but revenues from these three customers do not exceed 10% of our consolidated revenue. No other customers accounted for more than 10% of Pool's operating revenue.

Competition

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

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

We believe competition in our segments is based primarily on quality service, available capacity, on-time delivery, flexibility, reliability and security, transportation rates, location of facilities and business relationships, and we believe we compete favorably with other transportation service companies. To that end, we believe our Expedited LTL segment has an advantage over other truckload and less-than-truckload carriers because Expedited LTL delivers faster, more reliable services between cities at rates that are generally significantly below the charge to transport the same shipments to the same destinations by air. We believe our TLS and Intermodal segments have a competitive advantage over other truckload carriers and drayage providers because we deliver faster, more reliable service while offering greater shipment visibility and security. Additionally, we believe our Intermodal segment is one of the leading providers of drayage and related services in North America today. We believe that our presence in several regions across the continental United States enables our Pool Distribution segment to provide consistent, high-quality service to our customers regardless of location, which is a competitive advantage over other pool distribution providers.

Marketing

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

Seasonality

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

Employees and Equipment

As of December 31, 2017, we had 3,857 full-time employees, 1,339 of whom were freight handlers. Also, as of that date, we had an additional 1,041 part-time employees, of whom the majority were freight handlers. None of our employees are covered by a collective bargaining agreement. We recognize that our workforce, including our freight handlers, is one of our most valuable assets. The recruitment, training and retention of qualified employees are essential to support our continued growth and to meet the service requirements of our customers.

We manage a trailer pool that is utilized by all of our reportable segments to move freight through our networks. Our trailer pool includes dry van, refrigerated and roller-bed trailers, and substantially all of our trailers are 53 feet long. We own the majority of the trailers we use, but we supplement at times with leased trailers. At December 31, 2017, we had 5,680 owned trailers in our fleet with an average age of approximately 5.4 years. In addition, at December 31, 2017, we also had 784 leased trailers in our fleet. At December 31, 2017, we had 581 owned tractors and straight trucks in our fleet, with an average age of approximately 6.4 years. In addition, at December 31, 2017, we also had 383 leased tractors and straight trucks in our fleet.

Risk Management and Litigation

Under U.S. Department of Transportation (“DOT”) regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. Additionally, from time to time, the drivers employed and engaged by the third-party transportation carriers we contract with are involved in accidents, which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for carriers, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of $1.0 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers’ compensation. We maintain workers’ compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately $0.4 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately $0.5 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance.

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

Regulation

We are regulated by various United States and state agencies, including but not limited to the DOT. These regulatory authorities have broad powers, generally governing matters such as authority to engage in motor carrier operations, as well as motor carrier registration, driver hours of service, safety and fitness of transportation equipment and drivers, transportation of hazardous materials, certain mergers and acquisitions and periodic financial reporting. The trucking industry is also subject to regulatory and legislative changes from a variety of other governmental authorities, which address matters such as: increasingly stringent environmental, occupational safety and health regulations, limits on vehicle weight and size, ergonomics, port security, and hours of service. In addition, we are subject to compliance with cargo-security and transportation regulations issued by the Transportation Security Administration and Customs and Border Protection ("CBP") within the U.S. Department of Homeland Security, and our domestic customs brokerage operations are licensed by CBP. Additionally, our Canada business activities are subject to similar requirements imposed by the laws and regulations of Canada, as well as its provincial laws and regulations. Regulatory requirements, and changes in regulatory requirements, may affect our business or the economics of the industry by requiring changes in operating practices or by influencing the demand for and increasing the costs of providing transportation services.

Service Marks

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

Available Information

We file reports with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports from time to time. We are an electronic filer and the SEC maintains an Internet site at www.sec.gov that contains these reports and other information filed electronically. We make available free of charge through our website our reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is www.forwardaircorp.com. Our goal is to maintain our website as a portal through which investors can easily find or navigate to pertinent information about us. The information provided on the website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Item 1A. Risk Factors

We routinely encounter and address risks in conducting our business. Some of these risks may cause our future results to be different - sometimes materially different - than we presently anticipate. Below are material risks we have identified that could adversely affect our business. How we react to material future developments, as well as how our competitors and customers react to those developments, could also affect our future results.

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

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

- A reduction in overall freight volumes reduces our revenues and opportunities for growth. In addition, a decline in the volume of freight shipped due to a downturn in customers' business cycles or other factors (including our ability to assess dimensional-based weight increases) generally results in decreases in freight pricing and decreases in average revenue per pound of freight, as carriers compete for loads to maintain truck productivity.

- Our base transportation rates are determined based on numerous factors such as length of haul, weight per shipment and freight class. During economic downturns, we may also have to lower our base transportation rates based on competitive pricing pressures and market factors.

- Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.

- A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers.

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

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

We depend on owner-operators for most of our transportation needs. In 2017, owner-operators provided 57.3% of our purchased transportation. Competition for owner-operators is intense, and sometimes there are shortages of available owner-operators. In addition, a decline in the availability of trucks, tractors and trailers for owner-operator purchase or use may negatively affect our ability to hire, attract or retain available owner-operators. We also need a large number of freight handlers to operate our business efficiently. During periods of low unemployment in the areas where our terminals are located, we may have difficulty hiring and retaining a sufficient number of freight handlers. If we have difficulty attracting and retaining enough qualified freight handlers and owner-operators, we may be forced to increase wages and benefits or to increase the cost at which we contract with our owner-operators, either of which would increase our operating costs. This difficulty may also impede our ability to maintain our delivery schedules, which could make our service less competitive and force us to curtail our planned growth. A capacity deficit may lead to a loss of customers and a decline in the volume of freight we receive from customers.

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

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

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

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

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

Our information technology systems can also play an integral role in managing our internal freight and transportation information and creating additional revenue opportunities including assessing available backhaul capacity. A failure to capture and utilize our internal freight and transportation information may impair our ability to service our existing customers or grow revenue.

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

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

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

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

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

We are subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of our control. Fuel prices have fluctuated dramatically over recent years. Over time we have been able to mitigate the impact of the fluctuations through our fuel surcharge programs. Our fuel surcharge rates are set weekly based on the national average for fuel prices as published by the U.S. Department of Energy and our fuel surcharge table. Our net fuel surcharge revenue is the result of our fuel surcharge rates and the tonnage transiting our networks. The fuel surcharge revenue is then netted with the fuel surcharge we pay to our owner-operators and third party transportation providers. There can be no assurance that our fuel surcharge revenue programs will be effective in the future as the fuel surcharge may not capture the entire amount of the increase in fuel prices. Additionally, decreases in fuel prices reduce the cost of transportation services and accordingly, could reduce our revenues and may reduce margins for certain lines of business. In addition to changing fuel prices, fluctuations in volumes and related load factors may subject us to volatility in our net fuel surcharge revenue. Fuel shortages, changes in fuel prices and the potential volatility in net fuel surcharge revenue may adversely impact our results of operations and overall profitability.

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

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

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

For the calendar year ended December 31, 2017, our top 10 customers, based on revenue, accounted for approximately 26% of our revenue. Our Expedited LTL, TLS and Intermodal segments typically do not have long-term contracts with their customers. While our Pool segment business may involve a long-term written contract, those contracts may contain cancellation clauses, and there is no assurance that our current customers will continue to utilize our services or continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

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

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

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

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

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

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

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

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

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

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

We have $111.2 million of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2017. Our definite-lived intangible assets primarily represent the value of customer relationships and non-compete agreements that were recorded in conjunction with our various acquisitions. We review our long-lived assets, such as our definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on these assets when the estimated fair value is less than the carrying value. If such measurement indicates an impairment, we would be required to record a non-cash impairment charge to our consolidated statement of comprehensive income in the amount that the carrying value of these assets exceed the estimated fair value of the assets.

We also have recorded goodwill of $191.7 million on our consolidated balance sheet at December 31, 2017. Goodwill is assessed for impairment annually (or more frequently if circumstances indicate possible impairment) for each of our reporting units. This assessment includes comparing the fair value of each reporting unit to the carrying value of the assets assigned to each reporting unit. If the carrying value of the reporting unit was to exceed our estimated fair value of the reporting unit, we would then be required to estimate the fair value of the individual assets and liabilities within the reporting unit to ascertain the amount of fair value of goodwill and any potential impairment. If we determine that our fair value of goodwill is less than the related book value, we could be required to record a non-cash impairment charge to our consolidated statement of comprehensive income, which could have a material adverse effect on our earnings.

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

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

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

Under DOT regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. Additionally, from time to time, the drivers employed and engaged by the third-party transportation carriers we contract with are involved in accidents, which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for carriers, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of $1.0 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately $0.4 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately $0.5 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance. Any claims beyond the limits or scope of our insurance coverage may have a material adverse effect on us. Because we do not carry "stop loss" insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability. In addition, we may be unable to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses.

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

We self-insure a significant portion of our claims exposure and related expenses for cargo loss, employee medical expense, bodily injury, workers' compensation and property damage, and maintain insurance with insurance companies above our limits of self-insurance. Self-insurance retention and other limitations are detailed in Part II, Item 7, under "Self-Insurance Loss Reserves." Our large self-insured retention limits can make our insurance and claims expense higher or more volatile. Additionally, if our third-party insurance carriers or underwriters leave the trucking sector, as was the case during 2017, or if they decline to renew us as an insured, it could materially increase our insurance costs or collateral requirements, or create difficulties in finding insurance in excess of our self-insured retention limits. Additionally, we could find it necessary to raise our self-insured retention, pay higher premiums or decrease our aggregate coverage limits when our policies are renewed or replaced, any of which will negatively impact our earnings.

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

Our business is subject to seasonal trends.

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

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

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

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

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

The transportation industry is subject to legislative and regulatory changes that can affect the economics of our business by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services.

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

In addition, there may be changes in applicable federal or state tax or other laws or interpretations of those laws. If this happens, we may incur additional taxes, as well as higher workers' compensation and employee benefit costs, and possibly penalties and interest for prior periods. This could have an adverse effect on our results of operations.

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

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

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

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

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

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

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

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

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

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

- authorize us to issue preferred stock, the terms of which may be determined at the sole discretion of our Board of Directors and may adversely affect the voting or economic rights of our shareholders; and

- establish advance notice requirements for nominations for election to the Board of Directors and for proposing matters that can be acted on by shareholders at a meeting.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties

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

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

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

We lease and maintain 130 additional terminals, office spaces and other properties located in major cities throughout the United States and Canada. Lease terms for these terminals are typically for three to seven years. As a result of the Towne acquisition, we currently have 2 idle facilities that we are still leasing. Our plan is to buyout or sublease these remaining facilities. In addition, we have operations in 30 cities operated by independent agents who handle freight for us on a commission basis.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

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

2017	High	Low	Dividends
First Quarter	$ 51.51	$ 45.86	$ 0.15
Second Quarter	56.52	46.35	0.15
Third Quarter	57.68	49.98	0.15
Fourth Quarter	59.98	49.88	0.15

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

There were approximately 606 shareholders of record of our Common Stock as of January 18, 2018.

Subsequent to December 31, 2017, our Board of Directors declared a cash dividend of $0.15 per share that will be paid in the first quarter of 2018. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

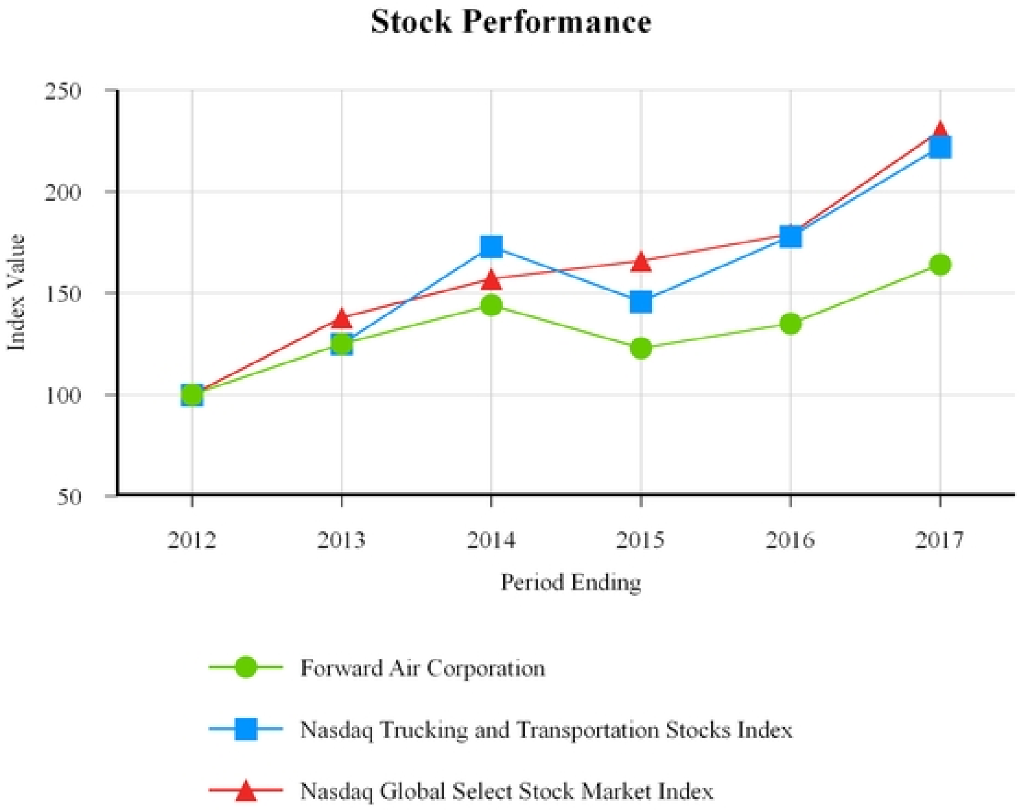
There are no material restrictions on our ability to declare dividends.

None of our securities were sold during fiscal year 2017 without registration under the Securities Act.

Stock Performance Graph

The following graph compares the percentage change in the cumulative shareholder return on our Common Stock with The Nasdaq Trucking and Transportation Stocks Index and The Nasdaq Global Select Stock Market™ Index commencing on the last trading day of December 2012 and ending on the last trading day of December 2017. The graph assumes a base investment of $100 made on December 31, 2012 and the respective returns assume reinvestment of all dividends. The comparisons in this graph are required by the SEC and, therefore, are not intended to forecast or necessarily be indicative of any future return on our Common Stock.

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



	2012	2013	2014	2015	2016	2017
Forward Air Corporation	$ 100	$ 125	$ 144	$ 123	$ 135	$ 164
Nasdaq Trucking and Transportation Stocks Index	100	125	173	146	178	222
Nasdaq Global Select Stock Market Index	100	138	157	166	179	230

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program (1)
October 1-31, 2017	—	$ —	—	—
November 1-30, 2017	—	—	—	—
December 1-31, 2017	121,186	58	121,186	1,818,665
Total	121,186	$ 58	121,186	1,818,665

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

Item 6. Selected Financial Data

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

	Year ended				
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
	(In thousands, except per share data)				
Income Statement Data:					
Operating revenue	$ 1,100,816	$ 982,530	$ 959,125	$ 780,959	$ 652,481
Income from operations	108,672	59,979	81,772	96,406	84,355
Operating margin (1)	9.9%	6.1%	8.5%	12.3%	12.9%
Net income	87,321	27,670	55,575	61,169	54,467
Net income per share:					
Basic	$ 2.90	$ 0.91	$ 1.80	$ 1.99	$ 1.81
Diluted	$ 2.89	$ 0.90	$ 1.78	$ 1.96	$ 1.77
Cash dividends declared per common share	$ 0.60	$ 0.51	$ 0.48	$ 0.48	$ 0.40
Balance Sheet Data (at end of period):					
Total assets	$ 687,716	$ 641,291	$ 699,932	$ 539,309	$ 506,269
Long-term obligations, net of current portion	40,588	725	28,856	1,275	3
Shareholders' equity	533,489	499,069	510,055	463,563	435,865

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

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

Overview and Executive Summary

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

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

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

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

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

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

Trends and Developments

Acquisition of Towne

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

Acquisitions of CST and Related Companies

As part of our strategy to expand our Intermodal operations, in January 2016, we acquired certain assets of Ace for $1.7 million and in August 2016, we acquired certain assets of Triumph for $10.1 million and an earnout of $1.3 million paid in September 2017. In May 2017, we acquired certain assets of Atlantic for $22.5 million and a potential earnout of $1.0 million and in October 2017, we acquired certain assets of KCL for $0.7 million and a potential earnout of $0.1 million. These acquisitions provide an opportunity for our Intermodal segment to expand into additional geographic markets or add volumes to our existing locations. The assets, liabilities, and operating results of these acquisitions have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Intermodal reportable segment.

Goodwill

In 2013, we acquired TQI Holdings, Inc. for total consideration of $65.4 million and established the Total Quality, Inc. reporting unit ("TQI"). In conjunction with our policy to annually test goodwill for impairment as of June 30, 2016, we determined there were indicators of potential impairment of the goodwill and other long lived assets assigned to the acquisition of TQI Holdings, Inc. This determination was based on TQI's financial performance falling notably short of previous projections. As a result, we reduced TQI's projected cash flows and consequently the estimate of TQI's fair value no longer exceeded its respective carrying value. Based on the results of the impairment test, during the second quarter of 2016, we recorded impairment charges for goodwill, intangibles and other assets of $42.4 million related to the TQI reporting unit, which is part of the TLS reportable segment.

Results from Operations

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

	Year ended December 31,			
	2017	2016	Change	Percent Change
Operating revenue:				
Expedited LTL	$ 619.8	$ 570.8	$ 49.0	8.6 %
Truckload Premium Services	179.3	164.3	15.0	9.1
Pool Distribution	164.2	148.6	15.6	10.5
Intermodal	148.9	103.7	45.2	43.6
Eliminations and other operations	(11.4)	(4.9)	(6.5)	132.7
Operating revenue	1,100.8	982.5	118.3	12.0
Operating expenses:				
Purchased transportation	478.2	413.4	64.8	15.7
Salaries, wages, and employee benefits	264.7	242.0	22.7	9.4
Operating leases	63.8	60.5	3.3	5.5
Depreciation and amortization	41.1	38.2	2.9	7.6
Insurance and claims	29.6	25.4	4.2	16.5
Fuel expense	16.5	13.2	3.3	25.0
Other operating expenses	98.3	87.4	10.9	12.5
Impairment of goodwill, intangibles and other assets	—	42.4	(42.4)	(100.0)
Total operating expenses	992.2	922.5	69.7	7.6
Income (loss) from operations:				
Expedited LTL	88.1	83.5	4.6	5.5
Truckload Premium Services	3.2	(35.4)	38.6	NM
Pool Distribution	6.4	3.6	2.8	77.8
Intermodal	12.7	11.0	1.7	15.5
Other operations	(1.8)	(2.7)	0.9	(33.3)
Income from operations	108.6	60.0	48.6	81.0
Other expense:				
Interest expense	(1.2)	(1.6)	0.4	(25.0)
Other, net	—	—	—	—
Total other expense	(1.2)	(1.6)	0.4	(25.0)
Income before income taxes	107.4	58.4	49.0	83.9
Income taxes	20.1	30.7	(10.6)	(34.5)
Net income	$ 87.3	$ 27.7	$ 59.6	215.2 %

During the year ended December 31, 2017, we experienced a 12.0% increase in our consolidated revenues compared to the year ended December 31, 2016. Operating income increased $48.6 million, or 81.0%, from 2016 to $108.6 million for the year ended December 31, 2017.

Segment Operations

Expedited LTL's revenue increased $49.0 million, or 8.6%, while operating income increased $4.6 million, or 5.5% for the year ended December 31, 2017, compared to the same period in 2016. The increase in revenue was due to increased tonnage, increased local pickup and delivery ("Complete") attachment and higher fuel surcharges. The deterioration in income from operations as a percentage of revenue was due to an increased utilization of third party transportation providers partly offset by increased Complete, fuel surcharge and linehaul revenues. The fuel surcharge increase was also due to increased fuel prices.

TLS revenue increased $15.0 million, or 9.1%, and operating income increased $38.6 million for the year ended December 31, 2017, compared to the same period in 2016. The increase in revenue was due to an increase in overall miles from new business wins. The increase of TLS operating income was largely the result of 2016 including $42.4 million in impairment charges related to the TQI reporting unit. Excluding the impairment charges, the deterioration in results from operations was due to increased utilization of third party transportation providers, which led to the increase in cost per mile outpacing the increase in revenue per mile.

Pool Distribution revenue increased $15.6 million, or 10.5%, while operating income increased $2.8 million, or 77.8%, for the year ended December 31, 2017, compared to the same period in 2016. The revenue increase was due to increased volumes from previously existing customers, new business and rate increases. The improvement in income from operations was primarily the result of higher revenue volumes, current year rate increases, purchased transportation efficiencies and lower facility costs.

Intermodal revenue increased $45.2 million, or 43.6%, and operating income increased $1.7 million, or 15.5%, for the year ended December 31, 2017, compared to the same period in 2016. The increase in revenue and operating income in total dollars was primarily attributable to the Atlantic, Ace and Triumph acquisitions. The decrease in income from operations as a percentage of revenue was attributable to increased amortization associated with Intermodal's acquisitions, lower margins on acquired business and acquisition-related legal and professional fees.

Fuel Surcharge

Our net fuel surcharge revenue is the result of our fuel surcharge rates, which are set weekly using the national average for diesel price per gallon, and volume transiting our network. During the year ended December 31, 2017, total net fuel surcharge revenue increased 44.3% as compared to the same period in 2016, mostly due to increased fuel prices and increased volumes in the Expedited LTL, Intermodal and Pool segments.

Interest Expense

Interest expense was $1.2 million for the year ended December 31, 2017 compared to $1.6 million for the same period of 2016. The decrease in interest expense was attributable to principal payments made on the term loan used to finance the Towne acquisition in March 2015 partly offset by borrowings on our revolving credit facility.

Income Taxes

The combined federal and state effective tax rate for the year ended December 31, 2017 was 18.7% compared to a rate of 52.6% for the same period in 2016. The lower effective tax rate for 2017 is the result of the enactment of the Tax Cuts and Jobs Act, which lowered the value of our net deferred tax liabilities. Also, the 2016 effective tax rate reflected the impairment of goodwill in the second quarter of 2016 that is non-deductible for tax purposes.

Net Income

As a result of the foregoing factors, net income increased by $59.6 million, or 215.2%, to $87.3 million for the year ended December 31, 2017 compared to $27.7 million for the same period in 2016.

Expedited LTL - Year Ended December 31, 2017 compared to Year Ended December 31, 2016

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

Expedited LTL Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2017	Percent of Revenue	December 31, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$ 619.8	100.0%	$ 570.8	100.0%	$ 49.0	8.6%
Operating expenses:						
Purchased transportation	254.9	41.1	225.1	39.5	29.8	13.2
Salaries, wages and employee benefits	145.9	23.5	139.0	24.4	6.9	5.0
Operating leases	36.7	5.9	34.4	6.0	2.3	6.7
Depreciation and amortization	22.1	3.6	21.9	3.8	0.2	0.9
Insurance and claims	15.4	2.5	13.2	2.3	2.2	16.7
Fuel expense	3.8	0.6	3.3	0.6	0.5	15.2
Other operating expenses	52.9	8.6	50.4	8.8	2.5	5.0
Total operating expenses	531.7	85.8	487.3	85.4	44.4	9.1
Income from operations	$ 88.1	14.2%	$ 83.5	14.6%	$ 4.6	5.5%

Expedited LTL Operating Statistics

	Year ended		
	December 31, 2017	December 31, 2016	Percent Change
Operating ratio	85.8%	85.4%	0.5 %
Business days	254.0	255.0	(0.4)
Business weeks	50.8	51.0	(0.4)
Expedited LTL:			
Tonnage			
Total pounds [1]	2,513,055	2,370,788	6.0
Average weekly pounds [1]	49,470	46,486	6.4
Linehaul shipments			
Total linehaul	4,036,385	3,757,275	7.4
Average weekly	79,456	73,672	7.9
Forward Air Complete shipments	943,396	782,425	20.6
As a percentage of linehaul shipments	23.4%	20.8%	12.5
Average linehaul shipment size	623	631	(1.3)
Revenue per pound [2]			
Linehaul yield	$ 17.12	$ 17.64	(2.3)
Fuel surcharge impact	1.20	0.95	1.1
Forward Air Complete impact	3.82	3.33	2.2
Total Expedited LTL yield	$ 22.14	$ 21.92	1.0 %

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

Revenues

Expedited LTL operating revenue increased $49.0 million, or 8.6%, to $619.8 million for the year ended December 31, 2017 from $570.8 million for the same period of 2016. The increase in revenue is mostly the result of increases to Complete activity and fuel surcharge revenues. Linehaul revenue, which is the largest portion of Expedited LTL, increased $12.1 million, or 2.9%, due to the increase in tonnage partly offset by the decrease in linehaul yield noted in the preceding table. The increase in tonnage is due to a growing percentage of total volume from shipments with higher density attributes and a slightly lower length of haul than our traditional shipments, driving the decrease in average base revenue per pound.

The $49.0 million revenue increase is primarily the result of a $16.9 million, or 21.4%, increase in Complete revenue. The increase in Complete revenue was attributable to an increase in shipping volumes in our Expedited LTL network and a 12.5% increase in the attachment rate of Complete to linehaul shipments. Additionally, compared to the same period in 2016, net fuel surcharge revenue increased $7.6 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 $12.4 million, or 24.4%, to $63.4 million in 2017 from $51.0 million in the same period of 2016. The increase in other terminal revenue was mainly attributable to increases in dedicated local pickup and delivery.

Purchased Transportation

Expedited LTL's purchased transportation increased by $ 29.8 million, or 13.2%, to $254.9 million for the year ended December 31, 2017 from $225.1 million for the year ended December 31, 2016. As a percentage of segment operating revenue, Expedited LTL purchased transportation was 41.1% during the year ended December 31, 2017 compared to 39.5% for the same period of 2016. The increase is mostly due to a 6.3% increase in Expedited LTL cost per mile. The higher cost per mile is due to increased utilization of third party transportation providers, which are more costly than owner-operators. The increase as a percentage of revenue is also due to increased Complete attachment on higher linehaul volumes. Complete purchased transportation has a higher percentage of revenue than linehaul.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of Expedited LTL increased by $ 6.9 million, or 5.0%, to $145.9 million for the year ended December 31, 2017 from $139.0 million in the same period of 2016. Salaries, wages and employee benefits were 23.5% of Expedited LTL's operating revenue for the year ended December 31, 2017 compared to 24.4% for the same period of 2016. The decrease in salaries, wages and employee benefits as a percentage of revenue was primarily attributable to a a 0.7% decrease in direct Expedited LTL terminal and management salaries as a percentage of revenue and a 0.2% decrease in health insurance costs 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 $2.3 million, or 6.7%, to $36.7 million for the year ended December 31, 2017 from $34.4 million for the year ended December 31, 2016. Operating leases were 5.9% of Expedited LTL's operating revenue for the year ended December 31, 2017 compared with 6.0% for the year ended December 31, 2016. The increase in cost is due to $1.2 million of additional facility lease expenses and a $1.1 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

Expedited LTL depreciation and amortization increased $ 0.2 million, or 0.9%, to $22.1 million for the year ended December 31, 2017 from $21.9 million for the year ended December 31, 2016. Depreciation and amortization expense as a percentage of Expedited LTL operating revenue was 3.6% in the year ended December 31, 2017 compared to 3.8% for the year ended December 31, 2016. The decrease as a percentage of revenue was due to the increase in equipment leasing mentioned above instead of purchased equipment.

Insurance and Claims

Expedited LTL insurance and claims expense increased $ 2.2 million, or 16.7%, to $15.4 million for the year ended December 31, 2017 from $13.2 million for the year ended December 31, 2016. Insurance and claims as a percentage of Expedited LTL's operating revenue was 2.5% for the year ended December 31, 2017 compared to 2.3% for the year ended December 31, 2016. The increase in dollars was partly attributable to a $0.7 million increase in insurance premiums associated with our insurance plan renewals and a $2.0 million increase in vehicle accident claim reserves. These increases were partly offset by decreases in vehicle damage and cargo claims.

Fuel Expense

Expedited LTL fuel expense increased $ 0.5 million, or 15.2%, to $3.8 million for the year ended December 31, 2017 from $3.3 million in the year ended December 31, 2016. Fuel expense was 0.6% of Expedited LTL's operating revenue for the years ended December 31, 2017 and 2016. LTL fuel expenses increased due to higher year-over-year fuel prices.

Other Operating Expenses

Expedited LTL other operating expenses increased $2.5 million, or 5.0%, to $52.9 million for the year ended December 31, 2017 from $50.4 million for the year ended December 31, 2016. Expedited LTL other operating expenses were 8.6% of operating revenue for the year ended December 31, 2017 compared to 8.8% for the year ended December 31, 2016. Other operating expenses includes equipment maintenance, terminal and office expenses, professional fees and other costs of transiting our network. The decrease as percentage of revenue was primarily the result of a decrease in legal fees mostly related to indemnification funds received related to the Towne acquisition and lower costs of transiting our network due to the use of third party transportation previously mentioned. The prior period also included a corporate event that did not occur in 2017. These improvements were partly offset by an increase in receivables allowance.

Income from Operations

Expedited LTL income from operations increased by $4.6 million, or 5.5%, to $88.1 million for the year ended December 31, 2017 compared with $83.5 million for the year ended December 31, 2016. Expedited LTL's income from operations was 14.2% of operating revenue for the year ended December 31, 2017 compared with 14.6% for the year ended December 31, 2016. Deterioration in income from operations as a percentage of revenue was due to an increased utilization of third party transportation providers partly offset by higher tonnage driving increased Complete, fuel surcharge and linehaul revenues. The fuel surcharge increase was also due to increased fuel prices.

Truckload Premium Services - Year Ended December 31, 2017 compared to Year Ended December 31, 2016

The following table sets forth our historical financial data for the Truckload Premium Services segment for the year ended December 31, 2017 and 2016 (in millions):

Truckload Premium Services Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2017	Percent of Revenue	December 31, 2016	Percent of Revenue	Change	Percent Change
Operating revenue	$ 179.3	100.0%	$ 164.3	100.0 %	$ 15.0	9.1 %
Operating expenses:						
Purchased transportation	131.3	73.2	115.4	70.2	15.9	13.8
Salaries, wages and employee benefits	20.4	11.4	19.3	11.7	1.1	5.7
Operating leases	0.9	0.5	0.3	0.2	0.6	200.0
Depreciation and amortization	6.3	3.5	6.5	4.0	(0.2)	(3.1)
Insurance and claims	5.4	3.0	4.8	2.9	0.6	12.5
Fuel expense	3.3	1.8	2.6	1.6	0.7	26.9
Other operating expenses	8.5	4.8	8.4	5.1	0.1	1.2
Impairment of goodwill, intangibles and other assets	—	—	42.4	25.8	(42.4)	(100.0)
Total operating expenses	176.1	98.2	199.7	121.5	(23.6)	(11.8)
Income (loss) from operations	$ 3.2	1.8%	$ (35.4)	(21.5)%	$ 38.6	(109.0)%

Truckload Premium Services Operating Statistics

	Year ended		
	December 31, 2017	December 31, 2016	Percent Change
Company driver [1]	7,822	6,740	16.1 %
Owner operator [1]	45,123	50,442	(10.5)
Third party [1]	43,653	32,358	34.9
Total Miles	96,598	89,540	7.9
Revenue per mile	$ 1.80	$ 1.79	0.6
Cost per mile	$ 1.43	$ 1.38	3.6 %
[1] - In thousands			

Revenues

TLS revenue increased $15.0 million, or 9.1%, to $179.3 million for the year ended December 31, 2017 from $164.3 million in the same period of 2016. The increase in TLS revenue was attributable to new business wins which resulted in a 7.9% increase in miles driven to support revenue.

Purchased Transportation

Purchased transportation costs for our TLS revenue increased $15.9 million, or 13.8%, to $131.3 million for the year ended December 31, 2017 from $115.4 million for the year ended December 31, 2016. For the year ended December 31, 2017, TLS purchased transportation costs represented 73.2% of TLS revenue compared to 70.2% for the same period in 2016. The increase in TLS purchased transportation was attributable to a 7.2% increase in non-Company miles driven and a 4.9% increase in non-Company cost per mile during the year ended December 31, 2017 compared to the same period in 2016. The increase in TLS miles driven was attributable to new business wins previously mentioned. The increase in cost per mile was due to TLS utilizing more costly third party transportation providers to cover miles. The increase in TLS purchased transportation as a percentage of revenue was attributable to TLS revenue per mile not increasing in proportion with the increase in TLS cost per mile.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of TLS increased by $1.1 million, or 5.7%, to $20.4 million in the year ended December 31, 2017 from $19.3 million in the same period of 2016. Salaries, wages and employee benefits were 11.4% of TLS's operating revenue in the year ended December 31, 2017 compared to 11.7% 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.

Operating Leases

Operating leases increased $0.6 million, or 200.0%, to $0.9 million for the year ended December 31, 2017 from $0.3 million for the same period in 2016. Operating leases were 0.5% of TLS operating revenue for the year ended December 31, 2017 compared to 0.2% for the same period of 2016. The $0.6 million increase in cost is due to additional trailer rentals for the new business wins mentioned above.

Depreciation and Amortization

Depreciation and amortization decreased $0.2 million, or 3.1%, to $6.3 million for the year ended December 31, 2017 from $6.5 million for the year ended December 31, 2016. Depreciation and amortization expense as a percentage of TLS operating revenue was 3.5% for the year ended December 31, 2017 compared to 4.0% for the same period in 2016. The decrease was due to the impairment of TQI intangible assets in the second quarter of 2016 leading to lower on-going amortization expense. This decrease was partially offset by increased trailer depreciation on trailers purchased during 2017.

Insurance and Claims

TLS insurance and claims increased $0.6 million, or 12.5%, to $5.4 million for the year ended December 31, 2017 from $4.8 million for the year ended December 31, 2016. As a percentage of operating revenue, insurance and claims was 3.0% for the year ended December 31, 2017 compared to 2.9% for the year ended December 31, 2016. The increase was due to higher vehicle accident claim reserves. The increase was also attributable to higher insurance premiums associated with our insurance plan renewals and higher cargo claims partly offset by a benefit from a prior period insurance premium audit.

Fuel Expense

TLS fuel expense increased $0.7 million, or 26.9%, to $3.3 million for the year ended December 31, 2017 from $2.6 million for the year ended December 31, 2016. Fuel expenses were 1.8% of TLS operating revenue during the year ended December 31, 2017 compared to 1.6% for the year ended December 31, 2016. The increase as a percentage of revenue was mostly attributable to higher year-over-year fuel prices and the increase in Company driver miles.

Other Operating Expenses

TLS other operating expenses increased $0.1 million, or 1.2%, to $8.5 million for the year ended December 31, 2017 compared to $8.4 million for the year ended December 31, 2016. TLS other operating expenses were 4.8% of operating revenue for the year ended December 31, 2017 compared to 5.1% for the year ended December 31, 2016. Other operating expenses includes equipment maintenance, terminal and office expenses, professional fees and other costs of transiting shipments. The increase was attributable to a $0.2 million increase in equipment maintenance and a $0.1 million increase in transit costs. These increases were mostly offset by a $0.2 million decrease in losses on destroyed equipment.

Impairment of goodwill, intangibles and other assets

In the second quarter of 2016, we determined there were indicators of potential impairment of goodwill and other long lived assets acquired in the TQI acquisition. Based on our analysis we recorded $42.4 million in total impairment charges related to TQI's goodwill and other long lived assets. During the year ended December 31, 2017, there were no impairment charges recognized.

Income from Operations

TLS results from operations increased by $38.6 million to $3.2 million in income from operations for the year ended December 31, 2017 compared with a $35.4 million loss from operations for the same period in 2016. Excluding the impairment charges, the deterioration in results from operations was due to increased utilization of third party transportation providers which led to the increase in cost per mile outpacing the increase in revenue per mile.

Pool Distribution - Year Ended December 31, 2017 compared to Year Ended December 31, 2016

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

Pool Distribution Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2017	**Percent of Revenue**	**December 31, 2016**	**Percent of Revenue**	**Change**	**Percent Change**
Operating revenue	$ 164.2	100.0%	$ 148.6	100.0%	$ 15.6	10.5%
Operating expenses:						
Purchased transportation	43.2	26.3	40.0	26.9	3.2	8.0
Salaries, wages and employee benefits	62.7	38.2	56.8	38.2	5.9	10.4
Operating leases	13.3	8.1	12.7	8.6	0.6	4.7
Depreciation and amortization	6.8	4.1	6.0	4.0	0.8	13.3
Insurance and claims	4.7	2.9	4.4	3.0	0.3	6.8
Fuel expense	5.5	3.3	4.8	3.2	0.7	14.6
Other operating expenses	21.6	13.2	20.3	13.7	1.3	6.4
Total operating expenses	157.8	96.1	145.0	97.6	12.8	8.8
Income from operations	$ 6.4	3.9%	$ 3.6	2.4%	$ 2.8	77.8%

Revenues

Pool operating revenue increased $15.6 million, or 10.5%, to $164.2 million for the year ended December 31, 2017 from $148.6 million for the year ended December 31, 2016. The revenue increase was due to increased volumes from previously existing customers, new business and rate increases.

Purchased Transportation

Pool purchased transportation increased $3.2 million, or 8.0%, to $43.2 million for the year ended December 31, 2017 from $40.0 million for the year ended December 31, 2016. Pool purchased transportation as a percentage of revenue was 26.3% for the year ended December 31, 2017 compared to 26.9% for the same period in 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

Salaries, wages and employee benefits of Pool increased by $5.9 million, or 10.4%, to $62.7 million for the year ended December 31, 2017 from $56.8 million for the year ended December 31, 2016. As a percentage of Pool operating revenue, salaries, wages and benefits were 38.2% for the years ended December 31, 2017 and 2016. As a percentage of revenue, increases in dock pay and employee incentive were offset by decreases in Company driver pay. Dock pay increased as a percentage of revenue as increasing revenue volumes required the use of more costly contract labor.

Operating Leases

Operating leases increased $0.6 million, or 4.7%, to $13.3 million for the year ended December 31, 2017 from $12.7 million for the year ended December 31, 2016. Operating leases were 8.1% of Pool operating revenue for the year ended December 31, 2017 compared with 8.6% for the year ended December 31, 2016. Operating leases increased in total dollars due to additional truck and trailer leases and rentals used to provide capacity for additional business wins throughout the network, partially offset by reduced facility rent driven by higher rent in 2016 attributable to the transition and relocation of certain terminals. The decrease as a percentage of revenue is attributable to increased revenue.

Depreciation and Amortization

Depreciation and amortization increased $0.8 million, or 13.3%, to $6.8 million for the year ended December 31, 2017 compared to $6.0 million for the same period in 2016. Depreciation and amortization expense as a percentage of Pool operating revenue was 4.1% for the year ended December 31, 2017 compared to 4.0% for the year ended December 31, 2016. The increase in Pool depreciation and amortization in total dollars was due to the allocation of trailer depreciation, which reflects Pool's increased utilization of our trailer fleet. This increase was partly offset by a decrease in tractor depreciation due to the increased use of rentals and leases mentioned above.

Insurance and Claims

Pool insurance and claims increased $0.3 million, or 6.8%, to $4.7 million for the year ended December 31, 2017 from $4.4 million for the year ended December 31, 2016. As a percentage of operating revenue, insurance and claims was 2.9% for the year ended December 31, 2017 compared to 3.0% for the year ended December 31, 2016. The decrease as a percentage of revenue was due to a decrease in cargo claims, partly offset by increases in vehicle accident claim reserves.

Fuel Expense

Pool fuel expense increased $0.7 million, or 14.6%, to $5.5 million for the year ended December 31, 2017 from $4.8 million for the year ended December 31, 2016. Fuel expenses were 3.3% of Pool operating revenue during the year ended December 31, 2017 compared to 3.2% for the year ended December 31, 2016. Pool fuel expenses increased in total dollars due to higher year-over-year fuel prices and higher revenue volumes.

Other Operating Expenses

Pool other operating expenses increased $1.3 million, or 6.4%, to $21.6 million for the year ended December 31, 2017 compared to $20.3 million for the year ended December 31, 2016. Pool other operating expenses were 13.2% of operating revenue for the year ended December 31, 2017 compared to 13.7% for the year ended December 31, 2016. Other operating expenses includes equipment maintenance, terminal and office expenses, professional fees and other over-the-road costs. As a percentage of revenue the decrease was attributable to a 0.3% decrease in dock and facility related costs, a 0.2% decrease in legal and professional fees and 0.2% decrease due to improved agent station margins. These improvements were partly offset by losses incurred on the sale of old equipment. The dock and facility related cost improvements were mainly attributable to 2016 including the start up of new business, while similar costs were not incurred in 2017. The decrease in legal fees is primarily related to costs associated with a 2016 Department of Transportation safety audit that were not incurred in 2017.

Income from Operations

Pool income from operations increased by $2.8 million, or 77.8% to $6.4 million for the year ended December 31, 2017 from $3.6 million for the year ended December 31, 2016. Pool income from operations was 3.9% of operating revenue for the year ended December 31, 2017 compared with 2.4% of operating revenue for the year ended December 31, 2016. The improvement in Pool income from operations was primarily the result of higher revenue volumes, current year rate increases, purchased transportation efficiencies and lower facility costs.

Intermodal - Year Ended December 31, 2017 compared to Year Ended December 31, 2016

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

Intermodal Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2017	**Percent of Revenue**	**December 31, 2016**	**Percent of Revenue**	**Change**	**Percent Change**
Operating revenue	$ 148.9	100.0%	$ 103.7	100.0%	$ 45.2	43.6%
Operating expenses:						
Purchased transportation	58.6	39.4	36.2	34.9	22.4	61.9
Salaries, wages and employee benefits	33.5	22.5	25.2	24.3	8.3	32.9
Operating leases	13.5	9.1	12.0	11.6	1.5	12.5
Depreciation and amortization	5.8	3.9	3.9	3.8	1.9	48.7
Insurance and claims	4.2	2.8	3.0	2.9	1.2	40.0
Fuel expense	3.9	2.6	2.5	2.4	1.4	56.0
Other operating expenses	16.7	11.2	9.9	9.5	6.8	68.7
Total operating expenses	136.2	91.5	92.7	89.4	43.5	46.9
Income from operations	$ 12.7	8.5%	$ 11.0	10.6%	$ 1.7	15.5%

Revenues

Intermodal operating revenue increased $45.2 million, or 43.6%, to $148.9 million for the year ended December 31, 2017 from $103.7 million for the same period in 2016. The increases in operating revenue were primarily attributable to the acquisition of Atlantic, Triumph and Ace and the impact of increased fuel surcharges.

Purchased Transportation

Intermodal purchased transportation increased $22.4 million, or 61.9%, to $58.6 million for the year ended December 31, 2017 from $36.2 million for the same period in 2016. Intermodal purchased transportation as a percentage of revenue was 39.4% for the year ended December 31, 2017 compared to 34.9% for the year ended December 31, 2016. The increase in Intermodal purchased transportation as a percentage of revenue was attributable to the Atlantic acquisition, which had a higher utilization of owner-operators as opposed to Company-employed drivers. The increase is also attributable to rate increases to our owner-operators.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased $8.3 million, or 32.9%, to $33.5 million for the year ended December 31, 2017 compared to $25.2 million for the year ended December 31, 2016. As a percentage of Intermodal operating revenue, salaries, wages and benefits decreased to 22.5% for the year ended December 31, 2017 compared to 24.3% for the same period in 2016. The improvement in salaries, wages and employee benefits as a percentage of revenue was primarily due to leveraging the increase in revenue on office and administrative salaries leading to a 0.8% decrease as a percentage of revenue. The improvement is also due to a 0.5% decrease as a percentage of revenue for lower workers' compensation and health insurance costs and an additional 0.5% decrease as a percentage of revenue due to dock efficiencies.

Operating Leases

Operating leases increased $1.5 million, or 12.5% to $13.5 million for the year ended December 31, 2017 from $12.0 million for the same period in 2016. Operating leases were 9.1% of Intermodal operating revenue for the year ended December 31, 2017 compared with 11.6% in the same period of 2016. Operating leases decreased as a percentage of revenue due to slightly increasing trailer rental charges while other revenue that does not require trailer rentals increased at a more rapid rate. The decrease as a percentage of revenue is also attributable to utilization of owned equipment acquired as part of Atlantic and the increase in revenue out-pacing the increase in facility rents.

Depreciation and Amortization

Depreciation and amortization increased $1.9 million, or 48.7%, to $5.8 million for the year ended December 31, 2017 from $3.9 million for the same period in 2016. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 3.9% for the year ended December 31, 2017 compared to 3.8% for the same period of 2016. The higher depreciation and amortization was due to equipment and intangible assets acquired with Atlantic, Triumph and Ace.

Insurance and Claims

Intermodal insurance and claims expense increased $1.2 million, or 40.0%, to $4.2 million for the year ended December 31, 2017 from $3.0 million for the year ended December 31, 2016. Intermodal insurance and claims were 2.8% of operating revenue for the year ended December 31, 2017 compared with 2.9% for the same period in 2016. The increase in Intermodal insurance and claims was primarily attributable to higher insurance premiums and increased vehicle accident claim reserves due to an increased vehicle fleet as a result of the acquisitions.

Fuel Expense

Intermodal fuel expense increased $1.4 million, or 56.0%, to $3.9 million for the year ended December 31, 2017 from $2.5 million in the same period of 2016. Fuel expenses were 2.6% of Intermodal operating revenue for the year ended December 31, 2017 compared to 2.4% in the same period of 2016. Intermodal fuel expenses increased due to higher year-over-year fuel prices and revenue volumes. These increases were partially offset by increased utilization of owner-operators.

Other Operating Expenses

Intermodal other operating expenses increased $6.8 million, or 68.7%, to $16.7 million for the year ended December 31, 2017 compared to $9.9 million for the same period of 2016. Intermodal other operating expenses as a percentage of revenue for the year ended December 31, 2017 were 11.2% compared to 9.5% for the same period of 2016. The increase in Intermodal other operating expenses was due mostly due to a $3.8 million increase in container related rental and storage charges associated with revenue increases discussed previously. The remaining increase was due to increased terminal expenses and other variable costs, such as maintenance and tolls, corresponding with the increases in revenue, and legal and professional fees related to the acquisition of Atlantic.

Income from Operations

Intermodal's income from operations increased by $1.7 million, or 15.5%, to $12.7 million for the year ended December 31, 2017 compared with $11.0 million for the same period in 2016. Income from operations as a percentage of Intermodal operating revenue was 8.5% for the year ended December 31, 2017 compared to 10.6% in the same period of 2016. The increase in operating income in total dollars was primarily attributable to the Atlantic, Triumph and Ace acquisitions. The decrease in income from operations as a percentage of revenue was attributable to increased amortization associated with Intermodal's acquisitions, lower margins on acquired business and acquisition related legal and professional fees.

Other Operations

Other operating activity improved from a $2.7 million operating loss during the year ended December 31, 2016 to a $1.8 million operating loss during the year ended December 31, 2017. The year ended December 31, 2017, includes $1.2 million in loss development reserves for vehicle and workers' compensation claims, $0.9 million of executive severance costs and $0.4 of turn in costs from old Towne equipment. These costs were partly offset by $0.7 million of indemnification funds received related to the Towne acquisition. These costs and benefits were kept at the corporate level and not passed through to our operating segments.

The $2.7 million in operating loss included in other operations and corporate activities for the year ended December 31, 2016, was primarily for $1.7 million in loss development reserves resulting from our semi-annual actuarial analyses of our workers' compensation claims. Other operations for the year ended December 31, 2016 also included a $1.0 million increase to our reserve for remaining net payments on duplicate facilities vacated following the Towne acquisition, as several facilities had yet to be sub-leased.

Results of Operations

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

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

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

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

Expedited LTL Segment Information
(In millions)
(Unaudited)

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

Expedited LTL Operating Statistics

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

[1] - In thousands

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

Revenues

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

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

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

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

Truckload Premium Services Segment Information
(In millions)
(Unaudited)

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

Truckload Premium Services Operating Statistics

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

Revenues

TLS revenue increased $11.0 million, or 7.2%, to $164.3 million for the year ended December 31, 2016 from $153.3 million in the same period of 2015. TLS' revenue increase was the result of a 20.3% mileage increase due to new business wins, partly offset by a 9.1% decrease in revenue per mile. Revenue per mile declined due to the decrease in pharmaceutical revenue which historically has a higher revenue per mile than traditional truckload business. TLS' revenue per mile also decreased as a result of a shift in business mix away from accounts that require use of more expensive third party transportation providers.

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

TLS other operating expenses increased $1.4 million, or 20.0%, to $8.4 million for the year ended December 31, 2016 compared to $7.0 million for the year ended December 31, 2015. TLS other operating expenses were 5.1% of operating revenue for the year ended December 31, 2016 compared to 4.6% for the year ended December 31, 2015. The increase was attributable to owner-operator and company driver recruiting costs increasing $0.2 million on efforts to add additional drivers throughout the network. An additional $0.5 million was attributable to a $0.2 million loss on destroyed trailers in 2016 compared to a $0.3 million gain on the sale of trailers during 2015. The remaining increase was due to $0.3 million in legal expenses and $0.4 million in additional costs to handle the expanding TLS business mentioned above, such as tolls and vehicle maintenance.

Impairment of goodwill, intangibles and other assets

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

Income from Operations

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

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

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

Pool Distribution Segment Information
(In millions)
(Unaudited)

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

Revenues

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

Operating leases increased $2.5 million, or 24.5%, to $12.7 million for the year ended December 31, 2016 from $10.2 million for the year ended December 31, 2015. Operating leases were 8.5% of Pool operating revenue for the year ended December 31, 2016 compared with 7.8% for the year ended December 31, 2015. Operating leases increased due to $2.0 million of additional facility rent expense as certain terminals moved to larger facilities to handle additional business wins. The remaining $0.5 million increase is attributable to higher truck rentals for additional business wins throughout the network.

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

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

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

Intermodal Segment Information
(In millions)
(Unaudited)

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

Revenues

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

Other Operations

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

Discussion of Critical Accounting Policies

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

Allowance for Doubtful Accounts

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

Allowance for Revenue Adjustments

Our allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments generally arise: (i) when the sales department contemporaneously grants small rate changes (“spot quotes”) to customers that differ from the standard rates in the system; (ii) when freight requires dimensionalization or is reweighed resulting in a different required rate; (iii) when billing errors occur; and (iv) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. During 2017, average revenue adjustments per month were approximately $0.3 million, on average revenue per month of approximately $91.7 million (approximately 0.3% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, we prepare an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, we establish an allowance for approximately 35-65 days (dependent upon experience by operating segment in the preceding twelve months) of average revenue adjustments, adjusted for rebates and billing errors. The lag is periodically adjusted based on actual historical experience. Additionally, the average amount of revenue adjustments per month can vary in relation to the level of sales or based on other factors (such as personnel issues that could result in excessive manual errors or in excessive spot quotes being granted). Both of these significant assumptions are continually evaluated for appropriateness.

Self-Insurance Loss Reserves

Given the nature of our operating environment, we are subject to vehicle and general liability, workers' compensation and employee health insurance claims. To mitigate a portion of these risks, we maintain insurance for individual vehicle and general liability claims exceeding $1.0 million and workers' compensation claims and employee health insurance claims exceeding approximately $0.4 million and $0.3 million, respectively, except in Ohio, where for workers' compensation we are a qualified self-insured entity with an approximately $0.5 million self-insured retention. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that uses information obtained from both company-specific and industry data, as well as general economic information. The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and our assumptions about the emerging trends, management develops information about the size of ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. We utilize semi-annual actuarial analysis to evaluate the open vehicle liability and workers' compensation claims and estimate the ongoing development exposure.

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

Revenue Recognition

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

Income Taxes

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

At December 31, 2017, we had state net operating loss carryforwards of $18.1 million for certain legal entities that will expire between 2017 and 2030. The use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations for the certain legal entities will not generate sufficient taxable income to realize the net operating loss benefits for these state loss carryforwards. As a result, a valuation allowance has been provided for these specific state loss carryforwards. The valuation allowance on these certain state loss carryforwards was approximately $0.4 million at December 31, 2017 and $0.3 million at December 31, 2016.

On December 22, 2017, President Trump signed into law H.R. 1, “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (this legislation was formerly called the “Tax Cuts and Jobs Act” and is referred to herein as the “U.S. Tax Act”). The U.S. Tax Act provides for significant changes in the U.S. Internal Revenue Code of 1986, as amended. The U.S. Tax Act contains provisions with separate effective dates but is generally effective for taxable years beginning after December 31, 2017.

Beginning on January 1, 2018, the U.S. Tax Act lowers the U.S. corporate income tax rate from 35% to 21% on our U.S. earnings from that date and beyond. The revaluation of our U.S. deferred tax assets and liabilities to the 21% corporate tax rate reduced our net U.S. deferred income tax liability by approximately $15.9 million which is reflected as a reduction in our income tax expense in our results for the quarter and year ended December 31, 2017.

The ultimate impact of the U.S. Tax Act on our reported results in 2018 may differ from the estimates provided herein, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and other actions we may take as a result of the U.S. Tax Act different from that presently contemplated. On December 22, 2017, the SEC staff issued SAB 118 that allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. We are currently analyzing the 2017 Tax Act, and in certain areas, have made reasonable estimates of the effects on our consolidated financial statements and tax disclosures, including the changes to our existing deferred tax balances.

Valuation of Goodwill

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

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

In 2017, we performed a qualitative analysis on all reporting units. We then prepared a fair value estimation for our TQI reporting unit. We did not perform a fair value estimation for the other reporting units as we did not believe it was more likely than not that their fair value was less than the carrying amount. This was determined based on prior year valuations and qualitative analysis of each reporting unit in 2017. Currently, there is no goodwill assigned to the Truckload Expedited reporting unit. Our 2017 analysis for TQI indicated that, as of June 30, 2017, the fair value of the reporting unit exceeded its carrying value by approximately 15.1%.

In 2016, due to the financial performance of the TQI reporting unit falling notably short of previous projections 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. Consequently, the Company recorded a goodwill impairment charge of $25.7 million for the TQI reporting unit during the year ended December 31, 2016.

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 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 fair value of the customer relationship and non-compete assets using an income approach (level 3). As a result of these estimates the Company recorded an impairment charge of $16.5 million related to TQI customer relationships during the three months ended June 30, 2016.

For our 2017 TQI analysis, the significant assumptions used in the income approach were 10 years of projected net cash flows, a discount rate of 15.5% and a long-term growth rate of 4.0%. As shown with the 2016 TQI goodwill impairment, the 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.

Share-Based Compensation

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

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

	December 31, 2017	**December 31, 2016**	**December 31, 2015**
Expected dividend yield	1.3%	1.0%	1.0%
Expected stock price volatility	28.5%	28.9%	33.3%
Weighted average risk-free interest rate	2.0%	1.3%	1.6%
Expected life of options (years)	5.9	5.8	5.9

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

We have also granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, we will issue to the employees a calculated number of common stock shares based on the three year performance of our total shareholder return as compared to the total shareholder return of a selected peer group. No shares may be issued if the total shareholder return performance outperforms 25% or less of the peer group, but the number of shares issued may be doubled if the total shareholder return performs better than 90% of the peer group. The share-based compensation for performance shares are recognized over the requisite service period, or vesting period. The fair value of the performance shares was estimated using a Monte Carlo simulation. The following table contains the weighted-average assumptions used to estimate the fair value of performance shares granted. These assumptions are highly subjective and changes in these assumptions can materially affect the fair value estimate.

	Year ended		
	December 31, 2017	**December 31, 2016**	**December 31, 2015**
Expected stock price volatility	24.7%	22.3%	23.5%
Weighted average risk-free interest rate	1.4%	0.8%	1.0%

Under the ESPP, which has been approved by our shareholders, we are authorized to issue shares of Common Stock to our employees. These shares may be issued at a price equal to 90% of the lesser of the market value on the first day or the last day of each six-month purchase period. Common Stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions. We recognize share-based compensation on the date of purchase based on the difference between the purchase date fair market value and the employee purchase price.

Operating Leases

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

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): "Simplifying the Accounting for Goodwill Impairment." Under the current guidance for assessing goodwill for impairment, an entity can first assess qualitative factors to determine whether a two-step goodwill impairment test is necessary. Under the new standard, a goodwill impairment loss will instead be measured at the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill, thus no longer requiring the two-step method. The guidance requires prospective adoption and will be effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption of this guidance is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We plan to adopt this guidance in January 2018 and we do not expect any impact to the consolidated financial statements.

In March 2016, the 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 $545 of income tax benefit during the full year December 31, 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. 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.

As permitted by the guidance, we will implement the use of full retrospective presentation. While evaluating principal versus agent relationships under the new standard, we determined that we will transition certain revenue streams from an agent to principal relationship. This will cause these revenue streams and their associated costs to be recognized on a gross basis that have historically been recognized on a net basis, increasing revenue and expenses by approximately $66,000 for the year ended December 31, 2017 and $47,000 for the same period of 2016 with no impact on operating income.

In addition, 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 at each period end. While the timing of revenue recognition will be accelerated, due to the short duration of our transit times and relatively low dollar value of individual shipments, the anticipated impact on our consolidated financial position, revenue and results from operations is not expected to be significant.

Liquidity and Capital Resources

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

Year Ended December 31, 2017 Cash Flows compared to December 31, 2016 Cash Flows

Net cash provided by operating activities totaled approximately $103.4 million for the year ended December 31, 2017 compared to approximately $130.4 million for the year ended December 31, 2016. The $27.0 million decrease in cash provided by operating activities is mainly attributable to a $21.6 million increase in accounts receivable and a $23.4 million increase in income tax payments. The decrease was partly offset by a $9.1 million increase in net earnings after consideration of non-cash items and $8.9 million increase in cash used to fund accounts payable and prepaid assets. The increase in accounts receivables was attributable to higher revenue across all segments and revenues associated with the Atlantic acquisition.

Net cash used in investing activities was approximately $59.2 million for the year ended December 31, 2017 compared with approximately $52.4 million during the year ended December 31, 2016. Investing activities during the year ended December 31, 2017 consisted primarily of $23.1 million used to acquire Atlantic and a small Intermodal acquisition and net capital expenditures of $35.8 million primarily for new trailers, forklifts and information technology. Investing activities during the year ended December 31, 2016 consisted primarily of $11.8 million used to acquire Ace and Triumph, which is included in the Intermodal segment, and net capital expenditures of $40.3 million for new trailers, forklifts, computer hardware and internally developed software. The proceeds from disposal of property and equipment during the year ended December 31, 2017 and 2016 were primarily from sales of older trailers and vehicles.

Net cash used in financing activities totaled approximately $48.8 million for the year ended December 31, 2017 compared with net cash used in financing activities of $102.8 million for the year ended December 31, 2016. The $54.0 million change in cash from financing activities was attributable to $55.0 million in borrowings from our revolving credit facility and a $13.0 million decrease in payments on the term loan and revolver. These increases in cash were partly offset by a a $9.0 million increase in share repurchases, a $2.5 million increase in our quarterly cash dividend and a $2.5 million decrease in cash from employee stock transactions. The year ended December 31, 2017 also included $49.0 million used to repurchase shares of our Common Stock, compared to $40.0 million used to repurchase shares of our Common Stock during the year ended December 31, 2016. Dividends increased due to our Board of Directors increasing the quarterly cash dividend from $0.12 per share for the first three quarters of 2016 to $0.15 per share during the fourth quarter of 2016 and all quarters in 2017.

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

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

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

Net cash used in financing activities totaled approximately $102.8 million for the year ended December 31, 2016 compared with net cash provided by financing activities of $7.1 million for the year ended December 31, 2015. The $109.9 million change in cash from financing activities was attributable to the prior year including $125.0 million of proceeds from executing a two year term loan in conjunction with the Towne acquisition. The decrease in cash from term loan proceeds was partly offset by a $45.6

million decrease in payments on debt and capital leases. Additionally, there was a $9.7 million decrease in cash from employee stock transactions and related tax benefits. Payments on debt and capital leases decreased as 2015 included the settlement of debt assumed with the acquisition of Towne. The year ended December 31, 2016 also included $40.0 million used to repurchase shares of our Common Stock, compared to $20.0 million used to repurchase shares of our Common Stock during the year ended December 31, 2015. Dividends increased on new shares issued through stock option exercises and our Board of Directors increasing the quarterly cash dividend from $0.12 per share to $0.15 per share during the fourth quarter of 2016.

Credit Facility

On September 29, 2017, the Company entered into a five-year senior unsecured revolving credit facility (the “Facility”) with a maximum aggregate principal amount of $150.0 million, with a sublimit of $30.0 million for letters of credit and a sublimit of $30.0 million for swing line loans. The Facility may be increased by up to $100.0 million to a maximum aggregate principal amount of $250.0 million pursuant to the terms of the credit agreement, subject to the lenders’ agreement to increase their commitments or the addition of new lenders extending such commitments. Such increases to the Facility may be in the form of additional revolving credit loans, term loans or a combination thereof, and are contingent upon there being no events of default under the Facility and satisfaction of other conditions precedent and are subject to the other limitations set forth in the credit agreement.

The Facility is scheduled to mature in September 2022. Proceeds were used to refinance existing indebtedness of the Company and may also be used for working capital, capital expenditures and other general corporate purposes. The Facility refinanced the Company’s existing obligations for its unsecured credit facility under the credit agreement dated as of February 4, 2015, as amended, which was terminated as of the date of the new Facility.

Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility is based on the highest of (a) the federal funds rate (not less than 0%) 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 0.3% to 0.8% with respect to the Facility depending on the Company’s ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization, as set forth in the credit agreement. Payments of interest for each loan that is based on the LIBOR Rate are due in arrears on the last day of the interest period applicable to such loan (with interest periods of one, two or three months being available, at the Company’s option). Payments of interest on loans that are not based on the LIBOR Rate are due on the last day of each quarter ended March 31, June 30, September 30 and December 31 of each year. All unpaid amounts of principal and interest are due at maturity. As of December 31, 2017, we had $40.5 million in borrowings outstanding under the revolving credit facility, $7.9 million utilized for outstanding letters of credit and $101.6 million of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 2.9% at December 31, 2017.

The Facility contains customary events of default including, among other things, payment defaults, breach of covenants, cross acceleration to material indebtedness, bankruptcy-related defaults, material judgment defaults, and the occurrence of certain change of control events. The occurrence of an event of default may result in, among other things, the termination of the Facilities, acceleration of repayment obligations and the exercise of remedies by the lenders with respect to the Company and its subsidiaries that are party to the Facility. The Facility also contains financial covenants and other covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the required lenders, to engage in certain mergers, consolidations, asset sales, dividends and stock repurchases, investments, and other transactions or to incur liens or indebtedness in excess of agreed thresholds, as set forth in the credit agreement.

Our new facility replaced our previously existing unsecured credit facility, which had 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 previous revolving credit facility was scheduled to expire in February 2020.

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

On July 21, 2016, our Board of Directors approved a stock repurchase authorization for up to three million shares of the Company's Common Stock. In connection with this action, the board cancelled the Company's 2014 repurchase plan. During the year ended December 31, 2017, we repurchased 947,819 shares for $49.0 million, or an average of $51.68 per share on the 2016 plan. During the year ended December 31, 2016, we repurchased 233,516 shares of Common Stock for $10.0 million, or $42.80 per share under the 2016 plan. When combining the stock repurchases under the 2014 and 2016 plans, we repurchased 910,289 shares of Common Stock for $40.0 million, or $43.92 per share during the year ended December 31, 2016. As of December 31, 2017, 1,818,665 shares remain that may be repurchased under the 2016 plan.

During each quarter of 2015 and the first, second and third quarters of 2016, our Board of Directors declared a cash dividend of $0.12 per share. During the fourth quarter of 2016 and each quarter of 2017, our Board of Directors declared a cash dividend of $0.15 per share. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by our Board of Directors.

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

Off-Balance Sheet Arrangements

At December 31, 2017, we had letters of credit outstanding from banks totaling $7.9 million required primarily by our workers' compensation and vehicle liability insurance providers.

Contractual Obligations and Commercial Commitments

Our contractual obligations and other commercial commitments as of December 31, 2017 (in thousands) are summarized below:

Contractual Obligations	**Payment Due Period (in thousands)**				
	Total	**2018**	**2019-2020**	**2021-2022**	**2023 and Thereafter**
Capital lease obligations	$ 776	$ 391	$ 385	$ —	—
Equipment purchase commitments	29,607	29,607	—	—	—
Operating leases	117,648	42,051	57,085	16,230	2,282
Total contractual cash obligations	$ 148,031	$ 72,049	$ 57,470	$ 16,230	$ 2,282

Not included in the above table are $40.5 million in borrowings outstanding under the revolving credit facility, reserves for unrecognized tax benefits of $1.6 million and self insurance claims of $21.8 million. The equipment purchase commitments are for various trailers, vehicles and forklifts. All of the above commitments are expected to be funded by cash on hand and cash flows from operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk relates principally to changes in interest rates and fuel prices. Our interest rate exposure relates principally to changes in interest rates for borrowings under our senior unsecured credit facility. The revolving credit had $40.5 million outstanding at December 31, 2017 and bear interest at variable rates. However, a hypothetical increase in our credit facility borrowing rate of 150 basis points, or an increase in the total effective interest rate from 2.3% to 3.8%, would increase our annual interest expense by approximately $0.4 million and would have decreased our annual cash flow from operations by approximately $0.4 million.

Our only other debt is capital lease obligations totaling $0.7 million. These lease obligations all bear interest at a fixed rate. Accordingly, there is no exposure to market risk related to these capital lease obligations.

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

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in this annual report on Form 10-K has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the framework set forth by the Committee on Sponsoring Organizations of the Treadway Commission in *Internal Control — Integrated Framework* ("2013 Framework"). Based on our assessment, we have concluded, as of December 31, 2017, that our internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements for the year ended December 31, 2017, has issued an attestation report on the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fourth quarter of 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Forward Air Corporation

Opinion on Internal Control over Financial Reporting

We have audited Forward Air Corporation's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Forward Air Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 23, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2018

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers of the Registrant

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K of the Securities Act and General Instruction G(3) to Form 10-K, the following information is included in Part III of this report. The ages listed below are as of December 31, 2017.

The following are our executive officers:

Name	Age	Position
Bruce A. Campbell	66	Chairman, President and Chief Executive Officer
Michael J. Morris	49	Chief Financial Officer, Senior Vice President and Treasurer
Michael L. Hance	46	Senior Vice President, Chief Legal Officer & Secretary
Matthew J. Jewell	51	President - Logistics Services
Chris C. Ruble	55	President - Expedited Services

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

Bruce A. Campbell has served as a director since April 1993, as President since August 1998, as Chief Executive Officer since October 2003 and as Chairman of the Board since May 2007. Mr. Campbell was Chief Operating Officer from April 1990 until October 2003 and Executive Vice President from April 1990 until August 1998. Prior to joining us, Mr. Campbell served as Vice President of Ryder-Temperature Controlled Carriage in Nashville, Tennessee from September 1985 until December 1989.

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

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

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

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

Other information required by this item is incorporated herein by reference to our proxy statement for the 2018 Annual Meeting of Shareholders (the “2018 Proxy Statement”). The 2018 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2017.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2018 Proxy Statement.

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

The information required by this item is incorporated herein by reference to the 2018 Proxy Statement.

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

The information required by this item is incorporated herein by reference to the 2018 Proxy Statement.

Item 14. Principle Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2018 Proxy Statement.

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

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

(a)(3) List of Exhibits.

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

(b) Exhibits.

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

(c) Financial Statement Schedules.

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

SIGNATURES

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

Forward Air Corporation

By:

Date: February 23, 2018

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer, Senior Vice President
and Treasurer (Principal Financial Officer)

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

Signature	Title	Date
/s/ Bruce A. Campbell Bruce A. Campbell	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 23, 2018
/s/ Michael J. Morris Michael J. Morris	Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial Officer)	February 23, 2018
/s/ C. Robert Campbell C. Robert Campbell	Lead Director	February 23, 2018
/s/ Ronald W. Allen Ronald W. Allen	Director	February 23, 2018
/s/ Ana Burns Amicarella Ana Burns Amicarella	Director	February 23, 2018
/s/ Valerie A. Bonebrake Valerie A. Bonebrake	Director	February 23, 2018
/s/ Craig Carlock Craig Carlock	Director	February 23, 2018
/s/ C. John Langley, Jr. C. John Langley, Jr.	Director	February 23, 2018
/s/ G. Michael Lynch G. Michael Lynch	Director	February 23, 2018
/s/ Javier Palomarez Javier Palomarez	Director	February 23, 2018

Annual Report on Form 10-K

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

List of Financial Statements and Financial Statement Schedule

Financial Statements and Supplementary Data

Certain Exhibits

Financial Statement Schedule

Year Ended December 31, 2017

Forward Air Corporation

Greeneville, Tennessee

Forward Air Corporation

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

Index to Financial Statements and Financial Statement Schedule

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

The following financial statement schedule of Forward Air Corporation is included as a separate section of this report.

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

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Forward Air Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Forward Air Corporation (the Company) as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements“). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), Forward Air Corporation’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or error. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company‘s auditor since 1991.

Atlanta, Georgia
February 23, 2018

Forward Air Corporation
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 3,893	$ 8,511
Accounts receivable, less allowance of $3,006 in 2017 and $1,714 in 2016	143,041	116,602
Inventories	1,425	1,306
Prepaid expenses and other current assets	9,955	9,851
Income tax receivable	4,428	—
Total current assets	162,742	136,270
Property and equipment:		
Land	16,928	16,928
Buildings	65,870	65,857
Equipment	291,181	273,463
Leasehold improvements	12,604	10,694
Construction in progress	12,652	12,079
Total property and equipment	399,235	379,021
Less accumulated depreciation and amortization	193,123	178,816
Net property and equipment	206,112	200,205
Goodwill and other acquired intangibles:		
Goodwill	191,671	184,675
Other acquired intangibles, net of accumulated amortization of $71,527 in 2017 and $61,334 in 2016	111,247	106,650
Total net goodwill and other acquired intangibles	302,918	291,325
Other assets	15,944	13,491
Total assets	$ 687,716	$ 641,291

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

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

	December 31, 2017	December 31, 2016
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 24,704	$ 18,012
Accrued payroll and related items	13,230	11,522
Insurance and claims accruals	11,999	10,122
Payables to owner-operators	6,322	5,597
Collections on behalf of customers	329	349
Other accrued expenses	2,869	4,243
Income taxes payable	320	70
Current portion of capital lease obligations	359	347
Current portion of long-term debt	—	27,665
Total current liabilities	60,132	77,927
Capital lease obligations, less current portion	365	725
Long-term debt, less current portion	40,223	—
Other long-term liabilities	24,104	21,699
Deferred income taxes	29,403	41,871
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, $0.01 par value: Authorized shares - 5,000,000; no shares issued	—	—
Common stock, $0.01 par value: Authorized shares - 50,000,000; issued and outstanding shares - 29,454,062 in 2017 and 30,090,335 in 2016	295	301
Additional paid-in capital	195,346	179,512
Retained earnings	337,848	319,256
Total shareholders' equity	533,489	499,069
Total liabilities and shareholders' equity	$ 687,716	$ 641,291

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

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

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Operating revenue	$ 1,100,816	$ 982,530	$ 959,125
Operating expenses:			
Purchased transportation	478,167	413,355	408,769
Salaries, wages and employee benefits	264,739	242,002	240,604
Operating leases	63,799	60,492	66,272
Depreciation and amortization	41,055	38,210	37,157
Insurance and claims	29,578	25,392	21,483
Fuel expense	16,542	13,233	15,903
Other operating expenses	98,264	87,425	87,165
Impairment of goodwill and other intangible assets	—	42,442	—
Total operating expenses	992,144	922,551	877,353
Income from operations	108,672	59,979	81,772
Other income (expense):			
Interest expense	(1,209)	(1,597)	(2,047)
Other, net	(11)	4	(58)
Total other expense	(1,220)	(1,593)	(2,105)
Income before income taxes	107,452	58,386	79,667
Income taxes	20,131	30,716	24,092
Net income and comprehensive income	$ 87,321	$ 27,670	$ 55,575
Net income per share:			
Basic	$ 2.90	$ 0.91	$ 1.80
Diluted	$ 2.89	$ 0.90	$ 1.78
Dividends per share:	$ 0.60	$ 0.51	$ 0.48

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

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2014	30,255	303	130,107	333,153	463,563
Net income and comprehensive income for 2015	—	—	—	55,575	55,575
Exercise of stock options	605	6	17,394	(3,087)	14,313
Common stock issued under employee stock purchase plan	11	—	449	—	449
Share-based compensation	—	—	7,486	—	7,486
Dividends ($0.48 per share)	—	—	7	(14,828)	(14,821)
Cash settlement of share-based awards for minimum tax withholdings	(38)	—	—	(1,931)	(1,931)
Share repurchases	(423)	(5)	—	(19,987)	(19,992)
Vesting of previously non-vested shares	134	1	(1)	—	—
Income tax benefit from stock options exercised	—	—	5,413	—	5,413
Balance at December 31, 2015	30,544	305	160,855	348,895	510,055
Net income and comprehensive income for 2016	—	—	—	27,670	27,670
Exercise of stock options	346	3	8,145	—	8,148
Common stock issued under employee stock purchase plan	11	—	442	—	442
Share-based compensation	—	—	8,334	—	8,334
Dividends ($0.51 per share)	—	—	6	(15,535)	(15,529)
Cash settlement of share-based awards for minimum tax withholdings	(42)	— —	—	(1,800)	(1,800)
Share repurchases	(910)	(9)	—	(39,974)	(39,983)
Vesting of previously non-vested shares	141	2	(2)	—	—
Income tax benefit from stock options exercised	—	—	1,732	—	1,732
Balance at December 31, 2016	30,090	301	179,512	319,256	499,069
Net income and comprehensive income for 2017	—	—	—	87,321	87,321
Exercise of stock options	206	2	7,270	—	7,272
Conversion of deferred stock	10	—	—	—	—
Common stock issued under employee stock purchase plan	10	—	458	—	458
Share-based compensation	—	—	8,103	—	8,103
Dividends ($0.60 per share)	—	—	4	(18,056)	(18,052)
Cash settlement of share-based awards for minimum tax withholdings	(35)	— —	—	(1,699)	(1,699)
Share repurchases	(948)	(9)	—	(48,974)	(48,983)
Vesting of previously non-vested shares	121	1	(1)	—	—
Balance at December 31, 2017	29,454	295	195,346	337,848	533,489

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

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

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Operating activities:			
Net income	$ 87,321	$ 27,670	$ 55,575
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	41,055	38,210	37,157
Impairment of goodwill, intangible and other assets	—	42,442	—
Share-based compensation	8,103	8,334	7,486
Loss (gain) on disposal of property and equipment	1,281	291	(181)
Provision for loss on receivables	1,814	258	33
Provision for revenue adjustments	3,055	2,020	4,793
Deferred income taxes	(12,468)	3,525	14,531
Tax benefit for stock options exercised	—	(1,732)	(5,413)
Changes in operating assets and liabilities, net of acquisition of business			
Accounts receivable	(31,308)	(9,715)	5,403
Prepaid expenses and other assets	(1,204)	283	(1,378)
Accounts payable and accrued expenses	8,945	(1,413)	(17,513)
Income taxes	(3,230)	20,177	(14,771)
Net cash provided by operating activities	103,364	130,350	85,722
Investing activities:			
Proceeds from disposal of property and equipment	2,440	1,929	1,720
Purchases of property and equipment	(38,265)	(42,186)	(40,495)
Acquisition of business, net of cash acquired	(23,140)	(11,800)	(61,878)
Other	(223)	(336)	(265)
Net cash used in investing activities	(59,188)	(52,393)	(100,918)
Financing activities:			
Proceeds from term loan	—	—	125,000
Payments of debt and capital lease obligations	(42,790)	(55,768)	(101,352)
Proceeds from senior credit facility	55,000	—	—
Proceeds from exercise of stock options	7,272	8,148	14,313
Payments of cash dividends	(18,052)	(15,529)	(14,821)
Purchase of common stock under repurchase program	(48,983)	(39,983)	(19,992)
Common stock issued under employee stock purchase plan	458	442	449
Cash settlement of share-based awards for minimum tax withholdings	(1,699)	(1,800)	(1,931)
Tax benefit for stock options exercised	—	1,732	5,413
Net cash (used in) provided by financing activities	(48,794)	(102,758)	7,079
Net decrease in cash	(4,618)	(24,801)	(8,117)
Cash at beginning of year	8,511	33,312	41,429
Cash at end of year	$ 3,893	$ 8,511	$ 33,312

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

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017
(In thousands, except share and per share data)

1. Accounting Policies

Basis of Presentation and Principles of Consolidation

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

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

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

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

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

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

Use of Estimates

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

Allowance for Doubtful Accounts

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

Allowance for Revenue Adjustments

The Company’s allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments generally arise: (1) when the sales department contemporaneously grants small rate changes (“spot quotes”) to customers that differ from the standard rates in the system; (2) when freight requires dimensionalization or is reweighed resulting in a different required rate; (3) when billing errors occur; and (4) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. The Company monitors the manual revenue adjustments closely through the employment of various controls that are in place to ensure that revenue recognition is not compromised and that fraud does not occur. During 2017, average revenue adjustments per month were approximately $255

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on average revenue per month of approximately $91,735 (0.3% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, the Company prepares an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, the Company establishes an allowance covering approximately 35-65 days (dependent upon experience in the last twelve months) of average revenue adjustments, adjusted for rebates and billing errors. The lag is periodically adjusted based on actual historical experience. Additionally, the average amount of revenue adjustments per month can vary in relation to the level of sales or based on other factors (such as personnel issues that could result in excessive manual errors or in excessive spot quotes being granted). Both of these significant assumptions are continually evaluated for appropriateness.

Self-Insurance Loss Reserves

Given the nature of the Company's operating environment, the Company is subject to vehicle and general liability, workers' compensation and employee health insurance claims. To mitigate a portion of these risks, the Company maintains insurance for individual vehicle and general liability claims exceeding $1,000 and workers' compensation claims and employee health insurance claims exceeding $350 and $225, respectively, except in Ohio, where for workers' compensation we are a qualified self-insured entity with a $500 self-insured retention. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that uses information obtained from both company-specific and industry data, as well as general economic information. The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and the Company's assumptions about the emerging trends, management develops information about the size of ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. The Company utilizes a semi-annual actuarial analyses to evaluate open claims and estimate the ongoing development exposure.

Revenue Recognition

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

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

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

(In thousands, except share and per share data)

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

Depreciation expense for each of the three years ended December 31, 2017, 2016 and 2015 was $30,862, $28,088 and $26,252 respectively.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. When the criteria have been met for long-lived assets to be classified as held for sale, the assets are recorded at the lower of carrying value or fair market value (less selling costs). See additional discussion in Note 2, Acquisition, Goodwill and Other Long-Lived Assets.

Operating Leases

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

Goodwill and Other Intangible Assets

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

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

Software Development

Costs related to software developed or acquired for internal use are expensed or capitalized based on the applicable stage of software development and any capitalized costs are amortized over their estimated useful life. The Company typically uses a five-year straight line amortization for the capitalized amounts of software development costs. At December 31, 2017 and 2016 the Company had $19,567 and $16,268, respectively, of capitalized software development costs included in property and equipment. Accumulated amortization on these assets was $10,874 and $10,716 at December 31, 2017 and 2016, respectively. Included in depreciation expense is amortization of capitalized software development costs. Amortization of capitalized software development for the years ended December 31, 2017, 2016 and 2015 was $1,816, $1,658 and $1,526 respectively. As of December 31, 2017 the estimated amortization expense for the next five years of capitalized software development costs is as follows:

2018	2,197
2019	1,878
2020	1,620
2021	1,327
2022	716
Total	$ 7,738

(In thousands, except share and per share data)

Income Taxes

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

On December 22, 2017, President Trump signed into law H.R. 1, "An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018". Please see Note 5 for further discussion on the impact of the U.S. Tax Act.

Net Income Per Share

The Company calculates net income per share in accordance with the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, Earnings per Share (the "ASC 260"). Under the ASC 260, basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The Company's non-vested shares contain non-forfeitable rights to dividends and are therefore considered participating securities for purposes of computing net income per share pursuant to the two-class method. Net income allocated to participating securities was $700 in 2017, $212 in 2016 and $369 in 2015. Net losses are not allocated to participating securities in periods in which the Company incurs a net loss. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding after considering the additional dilution from any dilutive non-participating securities. The Company's non-participating securities include options and performance shares.

Share-Based Payments

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

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

	December 31, 2017	December 31, 2016	December 31, 2015
Expected dividend yield	1.3%	1.0%	1.0%
Expected stock price volatility	28.5%	28.9%	33.3%
Weighted average risk-free interest rate	2.0%	1.3%	1.6%
Expected life of options (years)	5.9	5.8	5.9

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

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

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2017
(In thousands, except share and per share data)

	Year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Expected stock price volatility	24.7%	22.3%	23.5%
Weighted average risk-free interest rate	1.4%	0.8%	1.0%

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

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): "Simplifying the Accounting for Goodwill Impairment." Under the current guidance for assessing goodwill for impairment, an entity can first assess qualitative factors to determine whether a two-step goodwill impairment test is necessary. Under the new standard, a goodwill impairment loss will instead be measured at the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill, thus no longer requiring the two-step method. The guidance requires prospective adoption and will be effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption of this guidance is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We plan to adopt this guidance in January 2018 and we do not expect any impact to the consolidated financial statements.

In March 2016, the 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 $545 of income tax benefit during the full year December 31, 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. 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.

As permitted by the guidance, we will implement the use of full retrospective presentation. While evaluating principal versus agent relationships under the new standard, we determined that we will transition certain revenue streams from an agent to principal relationship. This will cause these revenue streams and their associated costs to be recognized on a gross basis that have historically been recognized on a net basis, increasing revenue and expenses by approximately $66,000 for the year ended December 31, 2017 and $47,000 for the same period of 2016 with no impact on operating income.

In addition, 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 at each period end. While the timing of revenue recognition will be accelerated, due to the short duration of our transit times and relatively low dollar value of individual shipments, the anticipated impact on our consolidated financial position, revenue and results from operations is not expected to be significant.

2. Acquisitions, Goodwill and Other Long-Lived Assets

Acquisition of Towne

On March 9, 2015, the Company acquired CLP Towne Inc. ("Towne") pursuant to the Agreement and Plan of Merger (the "Merger Agreement") resulting in Towne becoming an indirect, wholly-owned subsidiary of the Company. For the acquisition of Towne, the Company paid $61,878 in net cash and assumed $59,544 in debt and capital leases. With the exception of assumed capital leases, the assumed debt was immediately paid in full after funding of the acquisition. Of the total aggregate cash consideration paid, $16,500 was placed into an escrow account, with $2,000 of such amount being available to settle any shortfall in Towne's net working capital, with $14,500 of such amount available for a period of time to settle certain possible claims against Towne's common stockholders for indemnification. To the extent the escrow fund is insufficient, certain equity holders have agreed to indemnify Forward Air, subject to certain limitations set forth in the Merger Agreement, as a result of inaccuracies in or breaches of certain of Towne's representations, warranties, covenants and agreements and other matters. During the second quarter of 2017, we received $2,525 from this escrow for reimbursement of various claims. Approximately $1,621 was credited to operating leases and other operating expenses to offset related costs incurred in previous periods. The remaining $904 was used to establish reserves for various pending claims. Forward Air financed the Merger Agreement with a $125,000 2 year term loan available under the senior credit facility.

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

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

CST Acquisitions

As part of the Company's strategy to expand its Intermodal operations, in May 2017, we acquired certain 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) for $22,500 and a potential earnout of $1,000. The acquisition was funded by a combination of cash on hand and funds from our revolving credit facility. Atlantic was 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. In October 2017, we also acquired certain assets of Kansas City Logistics, LLC ("KCL") for $640 and a potential earnout of $100. KCL provides CST with an expanded footprint in the Kansas and Missouri markets. During the year ended December 31, 2016, Atlantic generated approximately $62,300 in revenue. In January 2016, the Company also acquired certain assets of Ace Cargo, LLC ("Ace") for $1,700, and in August 2016, we acquired certain assets of Triumph Transport, Inc. and Triumph Repair Service, Inc. (together referred to as "Triumph") for $10,100 and an earnout of $1,250 paid in September 2017. These acquisitions provided an opportunity for our Intermodal operations to expand into additional Midwest markets. The assets, liabilities, and operating results of these collective acquisitions have been included in the Company's consolidated financial statements from their dates of acquisition and have been included in the Intermodal reportable segment.

Allocations of Purchase Prices

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

	Towne	Ace & Triumph	Atlantic	KCL
	March 9, 2015	January & August 2016	May 7, 2017	October 22, 2017
Tangible assets:				
Accounts receivable	$ 24,068	$ —	$ —	$ —
Prepaid expenses and other current assets	2,916	—	—	—
Property and equipment	2,095	1,294	1,821	223
Other assets	614	—	—	—
Total tangible assets	29,693	1,294	1,821	223
Intangible assets:				
Non-compete agreements	—	139	1,150	6
Customer relationships	66,000	5,335	13,400	234
Goodwill	59,666	6,282	6,719	277
Total intangible assets	125,666	11,756	21,269	517
Total assets acquired	155,359	13,050	23,090	740
Liabilities assumed:				
Current liabilities	28,920	—	590	100
Other liabilities	3,886	1,250	—	—
Debt and capital lease obligations	59,544	—	—	—
Deferred income taxes	1,131	—	—	—
Total liabilities assumed	93,481	1,250	590	100
Net assets acquired	$ 61,878	$ 11,800	$ 22,500	$ 640

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

	Useful Lives			
	Towne	Ace & Triumph	Atlantic	KCL
Customer relationships	20 years	15 years	15 years	15 years
Non-competes	-	5 years	5 years	2 years

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

Goodwill

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2017. 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.

(In thousands, except share and per share data)

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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 the estimation of fair value indicates the impairment potentially exists, the Company will then measure the amount of the impairment, if any. Goodwill impairment exists when the estimated implied fair value of goodwill is less than its carrying value. Changes in strategy or market conditions could significantly impact these fair value estimates and require adjustments to recorded asset balances.

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2017 and no impairment charges were required. Further, due to Total Quality, Inc. ("TQI") performance falling short of the projections used in our June 2017 impairment assessment, the Company believed there were indicators of impairment as of December 31, 2017. Therefore, the Company performed an additional impairment assessment and determined TQI's goodwill was not impaired as of December 31, 2017.

In 2016, due to the financial performance of the TQI reporting unit falling notably short of previous projections 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. Consequently, the Company recorded a goodwill impairment charge of $25,686 for the TQI reporting unit during the year ended December 31, 2016.

The following is a summary of the changes in goodwill for the year ended December 31, 2017. Approximately $112,527 of goodwill is deductible for tax purposes.

	Expedited LTL		Truckload Premium		Pool Distribution		Intermodal		Total
	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	Net
Ending balance, December 31, 2016	$ 97,593	$ —	$ 45,164	$ (25,686)	$ 12,359	$ (6,953)	$ 62,198	$ —	$184,675
Atlantic & KCL Acquisitions	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,996	$ —	$ 6,996
Ending balance, December 31, 2017	$ 97,593	$ —	$ 45,164	$ (25,686)	$ 12,359	$ (6,953)	$ 69,194	$ —	$191,671

Other Acquired Intangibles

Through acquisitions, the Company acquired customer relationships, non-compete agreements and trade names having weighted-average useful lives of 15.9, 5.2 and 4.0 years, respectively. Amortization expense on acquired customer relationships, non-compete agreements and trade names for each of the years ended December 31, 2017, 2016 and 2015 was $10,193, $10,122 and $10,905, respectively.

As of December 31, 2017, definite-lived intangible assets are comprised of the following:

	Acquired Intangibles	Accumulated Amortization	Accumulated Impairment	Net Acquired Intangibles
Customer relationships	$ 193,209	$ 66,986	$ 16,501	$ 109,722
Non-compete agreements	4,566	3,074	—	1,492
Trade name	1,500	1,467	—	33
Total	$ 199,275	$ 71,527	$ 16,501	$ 111,247

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

(In thousands, except share and per share data)

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

The estimated amortization expense for the next five years on definite-lived intangible assets as of December 31, 2017 is as follows:

	2018	2019	2020	2021	2022
Customer relationships	$ 8,399	$ 8,319	$ 8,319	$ 8,177	$ 7,976
Non-compete agreements	464	289	259	246	78
Trade name	33	—	—	—	—
Total	$ 8,896	$ 8,608	$ 8,578	$ 8,423	$ 8,054

Additionally, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. In conjunction with the 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 estimated the fair value 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 believed the level and timing of cash flows appropriately reflected market participant assumptions. As a result of these estimates the Company recorded an impairment charge of $16,501 related to TQI customer relationships during the year ended December 31, 2016. The Company incurred no such impairment charge during the year ended December 31, 2017.

3. Debt and Capital Lease Obligations

Credit Facilities

On September 29, 2017, the Company entered into a five-year senior unsecured revolving credit facility (the "Facility") with a maximum aggregate principal amount of $150,000, with a sublimit of $30,000 for letters of credit and a sublimit of $30,000 for swing line loans. The Facility may be increased by up to $100,000 to a maximum aggregate principal amount of $250,000 pursuant to the terms of the credit agreement, subject to the lenders' agreement to increase their commitments or the addition of new lenders extending such commitments. Such increases to the Facility may be in the form of additional revolving credit loans, term loans or a combination thereof, and are contingent upon there being no events of default under the Facility and satisfaction of other conditions precedent and are subject to the other limitations set forth in the credit agreement.

The Facility is scheduled to mature in September 2022. The proceeds were used to refinance existing indebtedness of the Company and may also be used for working capital, capital expenditures and other general corporate purposes. The Facility refinanced the Company's obligations for its unsecured credit facility under the credit agreement dated as of February 4, 2015, as amended, which was terminated as of the date of the new Facility.

Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility is based on the highest of (a) the federal funds rate (not less than 0%) 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 0.3% to 0.8% with respect to the Facility depending on the

(In thousands, except share and per share data)

Company’s ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization, as set forth in the credit agreement. Payments of interest for each loan that is based on the LIBOR Rate are due in arrears on the last day of the interest period applicable to such loan (with interest periods of one, two or three months being available, at the Company’s option). Payments of interest on loans that are not based on the LIBOR Rate are due on the last day of each quarter ended March 31, June 30, September 30 and December 31 of each year. All unpaid amounts of principal and interest are due at maturity. As of December 31, 2017, the Company had $40,500 in borrowings outstanding under the revolving credit facility, $7,932 utilized for outstanding letters of credit and $101,568 of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowings under the facility was 2.9% at December 31, 2017.

The Facility contains customary events of default including, among other things, payment defaults, breach of covenants, cross acceleration to material indebtedness, bankruptcy-related defaults, material judgment defaults, and the occurrence of certain change of control events. The occurrence of an event of default may result in, among other things, the termination of the Facilities, acceleration of repayment obligations and the exercise of remedies by the lenders with respect to the Company and its subsidiaries that are party to the Facility. The Facility also contains financial covenants and other covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the required lenders, to engage in certain mergers, consolidations, asset sales, dividends and stock repurchases, investments, and other transactions or to incur liens or indebtedness in excess of agreed thresholds, as set forth in the credit agreement.

The Facility replaced the Company's previously existing unsecured credit facility, which had 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 previous revolving credit facility was scheduled to expire in February 2020.

Capital Leases

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

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

	December 31, 2017	December 31, 2016
Equipment	$ 635	$ 635
Accumulated amortization	(413)	(307)
	$ 222	$ 328

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

Future minimum payments, by year and in the aggregate, under non-cancelable capital leases with initial or remaining terms of one year or more consist of the following at December 31, 2017:

2018	$ 391
2019	325
2020	60
2021	—
2022	—
Thereafter	—
Total	776
Less amounts representing interest	52
Present value of net minimum lease payments (including current portion of $359)	$ 724

Interest Payments

Interest payments during 2017, 2016 and 2015 were $1,193, $1,770 and $2,017, respectively. No interest was capitalized during the years ended December 31, 2017, 2016 and 2015.

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

Preferred Stock

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

Cash Dividends

During each quarter of 2017 and the fourth quarter of 2016, the Company’s Board of Directors declared a cash dividend of $0.15 per share of Common Stock. During the first, second and third quarters of 2016 and each quarter of 2015, the Company's Board of Directors declared a cash dividend of $0.12 per share of Common Stock. On February 6, 2018, the Company’s Board of Directors declared a $0.15 per share dividend that will be paid in the first quarter of 2018. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

Repurchase of Common Stock

On July 21, 2016, our Board of Directors approved a stock repurchase plan that authorized the repurchase of up to 3,000,000 shares of the Company's Common Stock. Under the 2016 repurchase plan, during the year ended December 31, 2017, we repurchased 947,819 shares of Common Stock for $48,983, or $51.68 per share. As of December 31, 2017, 1,818,665 shares remain that may be repurchased.

Share-Based Compensation

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

In May 2016, with the approval of shareholders, the Company adopted the 2016 Omnibus Incentive Compensation Plan (the “Omnibus Plan”) to reserve for issuance 2,000,000 common shares. With the adoption of the Omnibus Plan, no further awards will be issued under the 1999 Amended Plan. As of December 31, 2017, there were approximately 1,691,567 shares remaining available for grant under the Omnibus Plan.

Employee Activity - Options

The following tables summarize the Company’s employee stock option activity and related information for the years ended December 31, 2017, 2016 and 2015:

	2017		2016		2015	
	Options (000)	Weighted-Average Exercise Price	Options (000)	Weighted-Average Exercise Price	Options (000)	Weighted-Average Exercise Price
Outstanding at beginning of year	564	$ 41	786	$ 32	1,363	$ 28
Granted	128	48	137	44	96	50
Exercised	(206)	35	(346)	24	(659)	26
Forfeited	(46)	46	(13)	35	(14)	29
Outstanding at end of year	440	$ 45	564	$ 41	786	$ 32
Exercisable at end of year	226	$ 42	331	$ 37	586	$ 28
Weighted-average fair value of options granted during the year	$ 13		$ 12		$ 15	
Aggregate intrinsic value for options exercised	$ 3,569		$ 7,803		$ 16,191	
Average aggregate intrinsic value for options outstanding	$ 3,387					
Average aggregate intrinsic value for exercisable options	$ 2,259					

Range of Exercise Price	Number Outstanding (000)	Weighted-Average Remaining Contractual Life	Outstanding Weighted-Average Exercise Price	Number Exercisable (000)	Exercisable Weighted-Average Exercise Price
36.55 - 37.14	83	1.6	36.85	83	36.85
41.32 - 44.90	159	4.4	43.29	90	43.07
45.34 - 48.32	123	6.0	47.73	10	46.44
50.71 - 53.73	70	4.3	51.03	43	50.81
57.18 - 57.18	5	7.0	57.18	—	—
$ 36.55 - 57.18	440	3.5	$ 44.70	226	$ 42.39

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Shared-based compensation for options	$ 1,313	$ 1,473	$ 1,386
Tax benefit for option compensation	$ 466	$ 546	$ 542
Unrecognized compensation cost for options	$ 1,647		
Weighted average period over which unrecognized compensation will be recognized (years)	1.8		

Employee Activity – Non-vested shares

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

	Year ended					
	2017		2016		2015	
	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	222	$ 45	191	$ 46	190	$ 40
Granted	126	48	134	44	100	51
Vested	(105)	45	(94)	44	(93)	39
Forfeited	(16)	47	(9)	45	(6)	45
Outstanding and non-vested at end of year	227	$ 47	222	$ 45	191	$ 46
Aggregate grant date fair value	$ 10,618		$ 10,108		$ 8,773	
Total fair value of shares vested during the year	$ 5,040		$ 4,064		$ 4,694	

	Year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Shared-based compensation for non-vested shares	$ 5,045	$ 4,614	$ 4,070
Tax benefit for non-vested share compensation	$ 1,791	$ 1,712	$ 1,591
Unrecognized compensation cost for non-vested shares	$ 6,137		
Weighted average period over which unrecognized compensation will be recognized (years)	1.7		

Employee Activity – Performance shares

In 2017, 2016 and 2015, the Company granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, the Company will issue to the employees a calculated number of common stock shares based on the three year performance of the Company's total shareholder return as compared to the total shareholder return of a selected peer group. No shares may be issued if the Company total shareholder return outperforms 25% or less of the peer group, but the number of shares issued may be doubled if the Company total shareholder return performs better than 90% of the peer group.

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

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	Year ended					
	2017		2016		2015	
	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	80	$ 55	77	$ 52	74	$ 44
Granted	27	56	29	49	27	67
Additional shares awarded based on performance	—	—	7	40	—	—
Vested	—	—	(33)	40	(24)	45
Forfeited	(38)	51	—	—	—	—
Outstanding and non-vested at end of year	69	$ 58	80	$ 55	77	$ 52
Aggregate grant date fair value	$ 3,980		$ 4,373		$ 4,016	

	Year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Shared-based compensation for performance shares	$ 1,045	$ 1,447	$ 1,308
Tax benefit for performance share compensation	$ 371	$ 537	$ 512
Unrecognized compensation cost for performance shares	$ 1,383		
Weighted average period over which unrecognized compensation will be recognized (years)	1.7		

Employee Activity – Employee Stock Purchase Plan

Under the ESPP, at December 31, 2017, the Company is authorized to issue up to a remaining 371,859 shares of Common Stock to employees of the Company. For the years ended December 31, 2017, 2016 and 2015, participants under the ESPP purchased 9,954, 11,174, and 10,805 shares, respectively, at an average price of $46.01, $39.50, and $41.55 per share, respectively. The weighted-average fair value of each purchase right under the ESPP granted for the years ended December 31, 2017, 2016 and 2015, which is equal to the discount from the market value of the Common Stock at the end of each six month purchase period, was $9.26, $6.46, and $5.82 per share, respectively. Share-based compensation expense of $92, $72, and $61 was recognized in salaries, wages and employee benefits, during the years ended December 31, 2017, 2016 and 2015, respectively.

Non-employee Directors – Non-vested shares

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

In May 2016, with the approval of shareholders, the Company further amended the Amended Plan to reserve for issuance an additional 160,000 common shares, increasing the total number of reserved common shares under the Amended Plan to 360,000. As of December 31, 2017, there were approximately 148,019 shares remaining available for grant.

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

	Year ended					
	2017		2016		2015	
	Non-vested Shares and Deferred Stock Units (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted-Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	16	$ 44	15	$ 51	15	$ 44
Granted	14	52	16	44	14	51
Vested	(16)	44	(15)	51	(14)	43
Forfeited	(3)	49	—	—	—	—
Outstanding and non-vested at end of year	11	$ 52	16	$ 44	15	$ 51
Aggregate grant date fair value	$ 742		$ 688		$ 740	
Total fair value of shares vested during the year	$ 809		$ 639		$ 727	

	Year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Shared-based compensation for non-vested shares	$ 608	$ 728	$ 661
Tax benefit for non-vested share compensation	$ 216	$ 263	$ 259
Unrecognized compensation cost for non-vested shares	$ 215		
Weighted average period over which unrecognized compensation will be recognized (years)	0.4		

Net Income per Share

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

	2017	2016	2015
Numerator:			
Net income and comprehensive income	$ 87,321	$ 27,670	$ 55,575
Income allocated to participating securities	(700)	(212)	(369)
Numerator for basic and diluted income per share - net income	86,621	27,458	55,206
Denominator:			
Denominator for basic net income per share - weighted-average shares (in thousands)	29,867	30,283	30,728
Effect of dilutive stock options (in thousands)	64	130	277
Effect of dilutive performance shares (in thousands)	33	31	35
Denominator for diluted net income per share - adjusted weighted-average shares (in thousands)	29,964	30,444	31,040
Basic net income per share	$ 2.90	$ 0.91	$ 1.80
Diluted net income per share	$ 2.89	$ 0.90	$ 1.78

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:

	2017	2016	2015
Anti-dilutive stock options (in thousands)	172	310	184
Anti-dilutive performance shares (in thousands)	—	—	24
Total anti-dilutive shares (in thousands)	172	310	208

5. Income Taxes

Tax Reform

On December 22, 2017, President Trump signed into law H.R. 1, “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (this legislation was formerly called the “Tax Cuts and Jobs Act” and is referred to herein as the “U.S. Tax Act”). The U.S. Tax Act provides for significant changes in the U.S. Internal Revenue Code of 1986, as amended. The U.S. Tax Act contains provisions with separate effective dates but is generally effective for taxable years beginning after December 31, 2017.

Beginning on January 1, 2018, the U.S. Tax Act lowers the U.S. corporate income tax rate from 35% to 21% on our U.S. earnings from that date and beyond. The revaluation of our U.S. deferred tax assets and liabilities to the 21% corporate tax rate reduced our net U.S. deferred income tax liability by approximately $15,901 which is reflected as a reduction in our income tax expense in our results for the quarter and year ended December 31, 2017.

The ultimate impact of the U.S. Tax Act on our reported results in 2018 may differ from the estimates provided herein, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and other actions we may take as a result of the U.S. Tax Act different from that presently contemplated. On December 22, 2017, the SEC staff issued SAB 118 that allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. We currently are analyzing the 2017 Tax Act, and in certain areas, have made reasonable estimates of the effects on our consolidated financial statements and tax disclosures, including the changes to our existing deferred tax balances.

(In thousands, except share and per share data)

Income Taxes

The provision for income taxes consists of the following:

	2017	2016	2015
Current:			
Federal	$ 28,556	$ 24,139	$ 8,319
State	4,043	3,052	1,242
	32,599	27,191	9,561
Deferred:			
Federal	(12,011)	3,256	12,477
State	(457)	269	2,054
	(12,468)	3,525	14,531
	$ 20,131	$ 30,716	$ 24,092

The tax benefit associated with the exercise of stock options and the vesting of non-vested shares recorded to additional paid in capital during the years ended December 31, 2016 and 2015 were $1,732 and $5,413, respectively, and are reflected as an increase in additional paid-in capital in the accompanying consolidated statements of shareholders' equity. For 2017, FASB guidance required 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 historical income tax expense differs from the amounts computed by applying the federal statutory rate of 35.0% to income before income taxes as follows:

	2017	2016	2015
Tax expense at the statutory rate	$ 37,608	$ 20,435	$ 27,883
State income taxes, net of federal benefit	2,339	2,229	2,178
Non-deductible transaction costs	—	—	394
Share based compensation	(366)	—	—
Incentive stock options	32	(88)	(120)
Other permanent differences	252	474	216
TQI goodwill impairment	—	8,990	—
Deferred tax asset valuation allowance	78	(2)	(11)
Federal qualified property deductions	(2,075)	(1,311)	(6,066)
Federal income tax credits	(58)	—	(732)
Non-taxable acquisitions	(568)	—	—
Rate impact on deferred tax liabilities	(15,901)	—	—
Other	(1,210)	(11)	350
	$ 20,131	$ 30,716	$ 24,092

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

(In thousands, except share and per share data)

	December 31, 2017	December 31, 2016
Deferred tax assets:		
Accrued expenses	$ 7,905	$ 9,647
Allowance for doubtful accounts	777	662
Share-based compensation	3,002	5,005
Accruals for income tax contingencies	251	252
Net operating loss carryforwards	4,733	10,231
Total deferred tax assets	16,668	25,797
Valuation allowance	(360)	(282)
Total deferred tax assets, net of valuation allowance	16,308	25,515
Deferred tax liabilities:		
Tax over book depreciation	19,402	29,416
Intangible assets	11,108	17,588
Prepaid expenses deductible when paid	3,460	4,862
Goodwill	11,741	15,520
Total deferred tax liabilities	45,711	67,386
Net deferred tax liabilities	$ (29,403)	$ (41,871)

Total income tax payments, net of refunds, during fiscal years 2017, 2016 and 2015 were $36,110, $10,628 and $25,264, respectively.

As a result of the Towne acquisition the Company has approximately $18,586, $27,050 and $36,034 of federal net operating losses as of December 31, 2017, 2016 and 2015 respectively, that will expire between 2020 and 2030. The Company expects to be able to fully utilize these federal net operating losses before they expire.

At December 31, 2017 and 2016, the Company had state net operating loss carryforwards of $18,126 and $18,155, respectively, that will expire between 2017 and 2030. Also, the use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations for certain separate legal entities will not generate sufficient taxable income to realize portions of these net operating loss benefits for state loss carryforwards. As a result, a valuation allowance has been provided for the state loss carryforwards for these specific legal entities. The valuation allowance on these state loss carryforwards increased $78 during 2017, but the valuation allowance decreased $2 during 2016.

Income Tax Contingencies

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

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

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(In thousands, except share and per share data)

		Liability for Unrecognized Tax Benefits
Balance at December 31, 2014		771
Reductions for settlement with state taxing authorities		(64)
Additions for tax positions of current year		66
Balance at December 31, 2015		773
Reductions for settlement with state taxing authorities		(247)
Additions for tax positions of current year		56
Balance at December 31, 2016	$	582
Reductions for settlement with state taxing authorities	$	(14)
Additions for tax positions of prior years	$	400
Additions for tax positions of current year	$	366
Balance at December 31, 2017	$	1,334

Included in the liability for unrecognized tax benefits at December 31, 2017 and December 31, 2016 are tax positions of $1,334 and $582, respectively, which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company’s annual effective income tax rate.

Included in the liability for unrecognized tax benefits at December 31, 2017 and December 31, 2016, are accrued penalties of $105 and $103, respectively. The liability for unrecognized tax benefits at December 31, 2017 and December 31, 2016 also included accrued interest of $201 and $184, respectively.

6. Operating Leases

The Company leases certain facilities under noncancellable operating leases that expire in various years through 2025. Certain leases may be renewed for periods varying from one to ten years. The Company has entered into or assumed through acquisition several operating leases for tractors, straight trucks and trailers with original lease terms between three and five years. These leases expire in various years through 2023 and may not be renewed beyond the original term.

Sublease rental income, was $1,923, $1,517 and $1,611 in 2017, 2016 and 2015, respectively. In 2018, the Company expects to receive aggregate future minimum rental payments under noncancellable subleases of approximately $1,206. Noncancellable subleases expire between 2018 and 2021.

Future minimum rental payments under noncancellable operating leases with initial or remaining terms in excess of one year consisted of the following at December 31, 2017:

2018	$	42,051
2019		34,693
2020		22,393
2021		11,282
2022		4,948
Thereafter		2,281
Total	$	117,648

7. Commitments and Contingencies

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

(In thousands, except share and per share data)

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

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

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

As of December 31, 2017, the Company had commitments to purchase trailers and forklifts for approximately $29,607 during 2018.

8. Employee Benefit Plan

The Company has a retirement savings plan (the "401(k) Plan"). The 401(k) Plan is a defined contribution plan whereby employees who have completed 90 days of service, a minimum of 1,000 hours of service and are age 21 or older are eligible to participate. The 401(k) Plan allows eligible employees to make contributions of 2.0% to 80.0% of their annual compensation. For all periods presented, employer contributions were made at 25.0% of the employee's contribution up to a maximum of 6.0% of total annual compensation, except where government limitations prohibit.

Employer contributions vest 20.0% after two years of service and continue vesting 20.0% per year until fully vested. The Company's matching contributions expensed in 2017, 2016 and 2015 were approximately $1,441, $1,056 and $1,178, respectively.

9. Financial Instruments

Off Balance Sheet Risk

At December 31, 2017, the Company had letters of credit outstanding totaling $7,932.

Fair Value of Financial Instruments

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

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 and there have been no significant changes to our credit rating, the carrying value approximates fair value. Using interest rate quotes and discounted cash flows, the Company estimated the fair value of its outstanding capital lease obligations as follows:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital lease obligations	$ 724	$ 744	$ 1,072	$ 1,139

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The Company's fair value estimates for the above financial instruments are classified within level 3 of the fair value hierarchy as defined in the FASB Codification.

10. Segment Reporting

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

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

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

The following tables summarize segment information about results from operations and assets used by the chief operating decision maker of the Company in making decisions regarding allocation of assets and resources as of and for the years ended December 31, 2017, 2016 and 2015.

Year ended December 31, 2017	Expedited LTL	Truckload Premium Services	Pool Distribution	Intermodal	Eliminations & Other	Consolidated
External revenues	$ 616,245	$ 171,970	$ 163,932	$ 148,669	$ —	$ 1,100,816
Intersegment revenues	3,534	7,350	289	238	(11,411)	—
Depreciation and amortization	22,103	6,328	6,773	5,848	3	41,055
Share-based compensation expense	6,776	378	387	562	—	8,103
Interest expense	3	2	—	48	1,156	1,209
Income (loss) from operations	88,142	3,248	6,378	12,673	(1,769)	108,672
Total assets	629,091	65,829	55,970	147,773	(210,947)	687,716
Capital expenditures	36,650	33	1,068	514	—	38,265

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2017
(In thousands, except share and per share data)

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

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

(In thousands, except share and per share data)

11. Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2017 and 2016:

	2017			
	March 31	June 30	September 30	December 31
Operating revenue	246,982	267,518	280,201	306,116
Income from operations	23,189	29,809	26,898	28,776
Net income	14,243	19,550	18,155	35,374
Net income per share:				
Basic	$ 0.47	$ 0.65	$ 0.60	$ 1.19
Diluted	$ 0.47	$ 0.64	$ 0.60	$ 1.18

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

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

Col. A	Col. B	Col. C		Col. D	Col. E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Described	Deductions -Described	Balance at End of Period
Year ended December 31, 2017					
Allowance for doubtful accounts	1,309	1,814	—	581 (2)	2,542
Allowance for revenue adjustments (1)	405	3,055	—	2,996 (3)	464
Income tax valuation	282	78	—	—	360
	1,996	4,947	—	3,577	3,366
Year ended December 31, 2016					
Allowance for doubtful accounts	$ 1,310	$ 258	$ —	$ 259 (2)	$ 1,309
Allowance for revenue adjustments (1)	1,095	2,020	—	2,710 (3)	405
Income tax valuation	284	(2)	—	—	282
	2,689	2,276	—	2,969	1,996
Year ended December 31, 2015					
Allowance for doubtful accounts	$ 2,155	$ 33	$ —	$ 878 (2)	$ 1,310
Allowance for revenue adjustments (1)	408	4,793	—	4,106 (3)	1,095
Income tax valuation	273	11	—	—	284
	2,836	4,837	—	4,984	2,689

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

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

(3) Represents adjustments to billed accounts receivable

EXHIBIT INDEX

No.		Exhibit
3.1		Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490))
3.2		Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2017)
4.1		Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 filed with the Securities and Exchange Commission on November 16, 1998 (File No. 0-22490))
10.1	*	Forward Air Corporation 2005 Employee Stock Purchase Plan (incorporated herein by reference to the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 20, 2005 (File No. 0-22490))
10.2		Air Carrier Certificate, effective August 28, 2003 (incorporated herein by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490))
10.3	*	Amendment to the Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490))
10.4		Form of Director Indemnification Agreement
10.5	*	Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell, including Attachment B, Restrictive Covenants Agreement entered into contemporaneously with and as part of the Employment Agreement (incorporated herein by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2007 (File No. 0-22490))
10.6	*	Amendment dated December 30, 2008 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.9 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))
10.7	*	Second Amendment dated February 24, 2009 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.10 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))
10.8	*	Third Amendment dated December 15, 2010 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.9	*	Form of Incentive Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan, as amended and 1999 Stock Option and Incentive Plan, as amended, for grants prior to February 12, 2006 (incorporated herein by reference to Exhibit 10.12 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))
10.10	*	Form of Non-Qualified Stock Option Agreement under the registrant's Non-Employee Director Stock Option Plan, as amended, for grants prior to February 12, 2006 (incorporated herein by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))
10.11	*	Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Appendix A of the registrant's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2008 (File No. 0-22490))

10.12	*	Form of Incentive Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))
10.13	*	Form of Non-Qualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.14	*	Forward Air Corporation Executive Severance and Change in Control Plan, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))
10.15	*	Forward Air Corporation Recoupment Policy, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))
10.16	*	Forward Air Corporation Amended and Restated Stock Option and Incentive Plan, as further amended and restated on February 7, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 13, 2013 (File No. 0-22490))
10.17	*	Form of Non-Qualified Stock Option Agreement for an award granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.18	*	Amended and Restated Non-Employee Director Stock Plan, as further amended and restated on February 8, 2013 (incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.19		Agreement and Plan of Merger, dated February 4, 2015 by and among CLP Towne Inc., Forward Air, Inc., FAC Subsidiary, Inc., ZM Private Equity Fund I, L.P., as the Equity Holders' Representative, and the Indemnifying Equity Holders party thereto (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2015 (File No. 0-22490))
10.20		Credit Agreement dated February 4, 2015 among Forward Air Corporation and Forward Air, Inc., as borrowers, the subsidiaries of the borrowers identified therein, Bank of America, N.A., First Tennessee Bank, N.A. and the other lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2015 (File No. 0-22490))
10.21		First Amendment dated June 19, 2015 to the Credit Agreement dated February 4, 2015 among Forward Air Corporation and Forward Air, Inc., as borrowers, the subsidiaries of the borrowers identified therein, Bank of America, N.A., First Tennessee Bank, N.A. and the other lenders party thereto (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 24, 2015 (File No. 0-22490))
10.22		First Amendment to the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, filed with the Securities and Exchange Commission on April 27, 2016 (File No. 0-22490))
10.23	*	Form of Nonqualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.24	*	Form of CEO Nonqualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.25	*	Form of Restricted Stock Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.26	*	Form of CEO Restricted Stock Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.27	*	Form of Performance Share Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))
10.28	*	Form of CEO Performance Share Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.6 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2016 (File No. 0-22490))

10.29	*	Form of Non-Employee Director Restricted Stock Units Agreement under the registrant's Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2016 (File No. 0-22490))
10.30	*	Form of Non-Employee Director Restricted Stock Agreement under the registrant's Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2016 (File No. 0-22490))
10.31	*	Michael J. Morris Offer Letter dated as of May 24, 2016 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2016 (File No. 0-22490))
10.32	*	Form of Employee Restricted Share Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 filed with the Securities and Exchange Commission on July 27, 2016))
10.33	*	Form of CEO Nonqualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.41 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
10.34	*	Form of CEO Performance Share Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.42 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
10.35	*	Form of CEO Restricted Stock Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.43 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
10.36	*	Form of Nonqualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.44 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
10.37	*	Form of Performance Share Agreement under the registrant's 2016 Omnibus Compensation Plan (incorporated herein by reference to Exhibit 10.45 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
10.38	*	Form of Notice of Grant of Performance Shares under the registrant's 2016 Omnibus Compensation Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 27, 2017)
10.39	*	Executive Mortgage Assistance Agreement (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 27, 2017)
10.40	*	Severance Agreement (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 27, 2017)
10.41	*	2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 27, 2017)
10.42	*	Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on July 27, 2017)
10.43		Credit Agreement dated September 29, 2017 among Forward Air Corporation and Forward Air, Inc., as the borrowers, the subsidiaries of the borrowers identified therein as the guarantors, Bank of America, N.A., U.S. Bank National Association and the other lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2017)
21.1		Subsidiaries of the registrant
23.1		Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1		Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2		Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1		Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2		Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Denotes a management contract or compensatory plan or arrangement.

DIRECTOR INDEMNIFICATION AGREEMENT

THIS DIRECTOR INDEMNIFICATION AGREEMENT, dated as of ________________, is by and between Forward Air Corporation, a Tennessee corporation (the "Company"), and _____________ ("Indemnitee"):

WHEREAS, the Indemnitee is provided indemnification pursuant to the Tennessee Business Corporation Act and the Charter and Bylaws of the Company; and

WHEREAS, the Company and Indemnitee desire to have in place the additional protection provided by an indemnification agreement and to provide indemnification and advancement of Expenses (as defined below) to Indemnitee to the maximum extent permitted by law; and

WHEREAS, the Board of Directors has determined that contractual indemnification as set forth herein is not only reasonable and prudent but also promotes the best interests of the Company and its stockholders; and

WHEREAS, the Board of Directors of the Company (the " Board") has authorized entering into a Director Indemnification Agreement with each of the members of the Board; and

WHEREAS, it is reasonable and prudent for the Company contractually to obligate itself to indemnify each member of the Board.

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Services by Indemnitee; Notice of Proceeding.

(a) Services. Indemnitee may at any time and for any reason resign from the Board or any permanent or temporary committee thereof.

(b) Notice of Proceeding. Indemnitee shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter that may be subject to indemnification or advancement of Expenses (as defined below) covered by this Agreement.

2. Indemnification.

(a) General. The Company shall indemnify and advance Expenses to Indemnitee in connection with any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other actual, threatened or completed proceeding whether civil, criminal, administrative or investigative, direct or derivative, other than one initiated directly by Indemnitee, and which arises out of or is related to service by Indemnitee as a member of the Board or any permanent or temporary committee thereof, or as a director, officer, employee, agent or fiduciary of any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise so long as such person was serving as such at the request of the Company, and to which Indemnitee is or is threatened to be made a party; provided, however that such definition shall exclude a Proceeding by which Indemnitee seeks to enforce his or her rights under this Agreement; and provided further, that such definition shall also exclude a Proceeding as to which the Indemnitee shall have been finally adjudged to be liable to the Company (a "Proceeding"). "Expenses" shall mean all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, reasonable and necessary travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding, for which reasonable and appropriate documentation is presented to the Company in accordance with the Company's standard policies and procedures for submission and reimbursement of business expenses.

(b) Proceedings. Subject to the terms and conditions of this Agreement, the Company shall indemnify Indemnitee against Expenses, judgments, penalties, fines and amounts paid in settlements actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein. The Company may through counsel of its choosing participate with Indemnitee in the defense in a claim in any Proceeding. If the Company elects to participate with Indemnitee in the defense a claim, the Company shall be responsible for the costs of its legal counsel. Indemnitee shall not agree to or enter into any settlement or consent decree with respect to any claim without providing the Company's prior written consent, which consent is not to be unreasonably withheld.

(c) Indemnification for Expenses as a Witness. To the extent that Indemnitee is a witness in any Proceeding, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

3. Advancement of Expenses. The Company shall advance all reasonable Expenses which were incurred by or on behalf of Indemnitee in connection with any Proceeding within 30 days after the receipt by the Company of a statement from Indemnitee requesting such advance, provided the statement is accompanied by appropriate documentation of such Expenses in accordance with the Company's usual policies for reimbursement of business expenses. An advance may be requested pursuant to this Section 3 at any time prior to, during or after final disposition of such Proceeding.

4. Entitlement to Indemnification; Request. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request for indemnification, including such information as is reasonably available to Indemnitee to demonstrate that Indemnitee is entitled to indemnification, and including invoices or other appropriate support for the amount claimed in accordance with the Company's standard policies for of reimbursement of business expenses. Unless the procedures set forth in Section 6 of this Agreement are invoked by the Company or unless Indemnitee shall permit the Company to defer payment, payment to Indemnitee shall be made within 30 days after receipt of such written request and invoices or other support as provided in this Section 4.

5. Presumptions and Effect of Certain Proceedings.

(a) Presumptions and Burden of Proof. In making a determination with respect to entitlement to advancement of Expenses or Indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is so entitled under this Agreement if Indemnitee has submitted a request for the same in accordance with Section 3 or 4 of this Agreement, as the case may be, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) Effect of Other Proceedings. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement, the Tennessee Business Corporation Act, as such may be amended from time to time, or by the Charter or Bylaws of the Company in effect on the date of this Agreement) of itself adversely affect the right of Indemnitee to indemnification or advancement of Expenses, or create a presumption that Indemnitee did not act in good faith or violated the duty of loyalty.

(c) Reliance as Safe Harbor. For purposes of any determination of good faith by the Company under the Tennessee Business Corporation Act, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Company, including financial statements, or on information supplied to Indemnitee by the officers of the Company in the course of their duties, or on the advice of legal counsel for the Company, the Board or any permanent or temporary committee thereof or on information or records given or reports made to the Company, the Board or any permanent or temporary committee thereof by an independent certified public accountant, investment banker or other expert selected with reasonable care by the Company, the Board or any permanent or temporary committee thereof. The provisions of this Section 5(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth under applicable law.

(d) Actions of Others. The knowledge and/or actions, or failure to act, of another director, officer, agent or employee of the Company shall not be imputed to Indemnitee for purposes of determining the rights to indemnification and advancement of Expenses under this Agreement.

6. Remedies of Indemnitee Method of Determination .

(a) Denial. If the Company determines not to honor a written request for indemnification or advancement of Expenses, it shall notify Indemnitee within 30 days of receipt of such request (a "Denial Notice"). Within 30 days of delivery of a Denial Notice to Indemnitee, Indemnitee may appeal the denial by delivery of written notice (a "Denial Appeal") to the Company invoking its right to have an Independent Counsel consider its right to the indemnification or advancement of Expenses requested. "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of Tennessee corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Independent Counsel shall represent the Board and shall be engaged to make a fair, disinterested evaluation of the Indemnitee's right, or lack thereof, to indemnification and/or advancement of Expenses under the facts being considered by the Board, and shall not be bound by any duty to advocate the position of the Company (notwithstanding that the Company is paying the fees of the Independent Counsel, as provided below). The Independent Counsel shall consider the merits of Indemnitee's written request for indemnification and/or advancement of Expenses and shall deliver a written opinion to the Board on the matter (with a copy to Indemnitee).

(b) Selection, Payment, Discharge, of Independent Counsel . The Independent Counsel shall be selected, paid and discharged in the following manner:

(1) The Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event clause (2) of this Section 6(b) shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected.

(2) If Indemnitee requests that such selection be made by the Board, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected.

(3) Following the initial selection described in clauses (1) and (2) of this Section 6(b), Indemnitee or the Company, as the case may be, may, within 15 days after such written notice of selection has been given, deliver to the other party a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of an "Independent Counsel" as defined in this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until (1) a court has determined that such objection is without merit, or (2) Indemnitee and the Company later agree in writing that such person may serve as Independent Counsel.

(4) Either the Company or Indemnitee may petition any court of competent jurisdiction if the parties have been unable to agree on the selection of Independent Counsel within 20 days after submission by Indemnitee of a written request for appointment of an Independent

Counsel, pursuant to Section 6(a) of this Agreement. Such petition may request a determination whether an objection to the party's selection is without merit and/or seek the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate. A person so appointed shall act as Independent Counsel under Section 6(a) of this Agreement.

(5) The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to this Agreement, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(b), regardless of the manner in which such Independent Counsel was selected or appointed.

(c) Cooperation. Indemnitee shall fully cooperate with the person, persons or entity making the determination with respect to Indemnitee's entitlement to indemnification and/or advancement of Expenses under this Agreement, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification and/or advancement of Expenses), and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom in accordance with the applicable terms of this Agreement.

(d) Adjudication. In the event of a Dispute, Indemnitee shall be entitled to an adjudication in a court of competent jurisdiction of Indemnitee's entitlement to indemnification and/or advancement of Expenses. "Dispute" shall mean that any of the following have occurred, and Indemnitee has not agreed in writing to permit the Company to do the following:

(1) payment of indemnification is not made pursuant to Section 4 of this Agreement within 30 days after receipt by the Company of a written request therefor;

(2) advancement of Expenses is not timely made pursuant to Section 3 of this Agreement;

(3) payment of indemnification is not made within 30 days after a determination has been made that Indemnitee is entitled to indemnification pursuant to Section 6(a) of this Agreement; or

(4) if the determination of entitlement to be made pursuant to Section 6(a) of this Agreement has not been made within 60 days after receipt by the Company of a Denial Appeal.

(e) De Novo Review. In the event that there is a Dispute involving a disagreement between Indemnitee and the Company with a determination made by an Independent Counsel pursuant to Section 6(a) of this Agreement concerning Indemnitee's entitlement, or lack thereof, to indemnification and/or advancement of Expenses, any judicial proceeding commenced pursuant to this Section 6 shall be conducted in all respects as a de novo trial on the merits, and neither party shall be prejudiced by reason of the Independent Counsel's determination. In any such proceeding, the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(f) Procedures Valid. The Company and Indemnitee shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 6 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that they are bound by all of the provisions of this Agreement.

(g) Expenses of Adjudication. In the event that it is Indemnitee who, pursuant to this Section 6, seeks a judicial adjudication of Indemnitee's rights under, or to recover damages for breach of, this Agreement, and the final ruling in such adjudication is in favor of Indemnitee's claims, then Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all expenses (of the types described in the definition of Expenses in this Agreement) actually and reasonably incurred by Indemnitee in such adjudication.

7. Rights if Indemnitee Partly Successful. If the Indemnitee is not wholly successful in a Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf solely in connection with each successfully resolved claim, issue or matter. For purposes of this Agreement, and without limitation, the termination of any claim, issue or matter in a Proceeding by dismissal, with or without prejudice, is deemed to be a successful result as to such claim, issue or matter.

8. Non-exclusivity; Insurance; Subrogation.

(a) Non-Exclusivity. The rights of indemnification and to advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Charter or Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration, rescission or replacement of this Agreement or any provision hereof shall be effective as to Indemnitee with respect to any action taken or omitted by such Indemnitee prior to such amendment, alteration, rescission or replacement.

(b) Insurance. The Company may maintain an insurance policy or policies against liability arising out of this Agreement or otherwise. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director under such policy or policies.

(c) No Duplicative Payment; Subrogation. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise. Further, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of an Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

9. Unsecured; Interest Free. Any advancement of Expenses and other indemnification payment obligations of Company under this Agreement shall be unsecured and shall not bear interest.

10. Term of Agreement; Miscellaneous.

(a) Term. This Agreement shall continue until and terminate upon the later of: (a) 10 years after the date that Indemnitee has ceased to serve as a director of the Company or in any role stipulated in the first sentence of Section 2(a), or (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 6 of this Agreement relating thereto.

(b) Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart.

(c) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law; but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, then such provision shall be deemed modified to the extent required to carry out the intent of this Agreement, and the validity, legality and enforceability of the other provisions of this Agreement will not be affected or impaired thereby.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives and successors and assigns.

(e) Modification, Amendment, Waiver or Termination. Indemnitee's rights under this Agreement are vested as of the date hereof. No provision of this Agreement may be modified, amended, waived or terminated except by an instrument in writing signed by the parties to this Agreement. No course of dealing between the parties will modify, amend, waive or terminate any provision of this Agreement or any rights or obligations of any party under or by reason of this Agreement.

(f) Notices. All notices, consents, requests, instructions, approvals or other communications provided for herein shall be in writing and delivered by personal delivery, overnight courier, mail or electronic facsimile addressed to the receiving party at the address set forth herein. All such communications shall be effective when received at the address or facsimile number for notice, except for notices sent by U.S. mail, which shall be effective on the third day after deposit in the mail, properly addressed and postage prepaid.

If to the Company:
Forward Air Corporation
Attn: Michael L. Hance, Chief Legal Officer
430 Airport Road,
Greeneville, TN 37745

If to the Indemnitee:
Forward Air Corporation
Attn: Indemnitee

Any party may change the address set forth above by notice to each other party given as provided herein.

(g) Headings. The headings and any table of contents contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(h) Governing Law. All matters relating to the interpretation, construction, validity and enforcement of this Agreement shall be governed by the internal laws of the State of Tennessee, without giving effect to any choice of law provisions thereof.

(i) Jurisdiction and Venue. **THIS AGREEMENT MAY BE ENFORCED IN ANY FEDERAL COURT OR STATE COURT SITTING IN GREENE COUNTY, TENNESSEE, AND EACH PARTY CONSENTS TO THE JURISDICTION AND VENUE OF ANY SUCH COURT AND WAIVES ANY ARGUMENT THAT VENUE IN SUCH FORUM IS NOT CONVENIENT. IF ANY PARTY COMMENCES ANY ACTION UNDER ANY TORT OR CONTRACT THEORY ARISING DIRECTLY OR INDIRECTLY FROM THE RELATIONSHIP CREATED BY THIS AGREEMENT IN ANOTHER JURISDICTION OR VENUE, ANY OTHER PARTY TO THIS AGREEMENT SHALL HAVE THE OPTION OF TRANSFERRING THE CASE TO THE ABOVE-DESCRIBED VENUE OR JURISDICTION OR, IF SUCH TRANSFER CANNOT BE ACCOMPLISHED, TO HAVE SUCH CASE DISMISSED WITHOUT PREJUDICE.**

(j) Third-Party Benefit. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights, remedies, obligations or liabilities of any nature whatsoever.

(k) Tennessee Code. The parties agree that notwithstanding any provision of this Agreement, no indemnification authorized by this Agreement shall be made if the Company proves that such payment is expressly prohibited by the provisions of the Tennessee Business Corporation Act, as such may be amended from time to time, or by the Charter or Bylaws of the Company in effect on the date of this Agreement. This Agreement shall not be deemed to deny Indemnitee the benefit of any future amendment to or restatement of the Charter or Bylaws of the Company that expands the scope of Indemnitee's rights to indemnification or advancement of Expenses. Any amendment to or restatement of the Charter or Bylaws of the Company that diminishes the scope of Indemnitee's rights to indemnification or advancement of Expenses shall not diminish Indemnitee's rights under this Agreement. The assertion by Indemnitee of any right or remedy under this Agreement will not prevent the later or concurrent assertion of any right or remedy under the Company's Charter or Bylaws, any insurance policy or any applicable law; and the assertion by Indemnitee of any right or remedy thereunder will not prevent the later or concurrent assertion of any right or remedy hereunder.

(l) Remedies. The parties agree that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may, in its discretion, apply to any court of law or equity of competent jurisdiction for specific performance and injunctive relief in order to enforce or prevent any violations this Agreement, and any party against whom such proceeding is brought hereby waives the claim or defense that such party has an adequate remedy at law and agrees not to raise the defense that the other party has an adequate remedy at law.

IN WITNESS WHEREOF, the parties hereto have executed this Director Indemnification Agreement as of the date set forth in the first paragraph.

FORWARD AIR CORPORATION

By:
Name: Michael L. Hance
Title: Senior Vice President, Chief Legal Officer and Secretary

____
Indemnitee:

Exhibit 21.1

FORWARD AIR CORPORATION

SUBSIDIARIES

	State of Incorporation
FAF, Inc.	Tennessee
Forward Air, Inc.	Tennessee
Forward Air Solutions, Inc.	Tennessee
Forward Air International Airlines, Inc.	Tennessee
Central States Trucking Co.	Delaware
Central States Logistics, Inc.	Illinois
TQI Holdings, Inc.	Delaware

FORWARD AIR, INC.

SUBSIDIARIES

	State of Incorporation
Forward Air Royalty, LLC	Delaware
Forward Air Technology and Logistics Services, Inc.	Tennessee
FACSBI, LLC	Delaware
Towne Holdings, LLC	Delaware
Synergy Cargo Logistics, Inc.	California
TAF, LLC	Indiana
Towne Air Freight, LLC	Indiana
Forward Air Services, LLC	Delaware

TQI HOLDINGS, INC.

SUBSIDIARIES

	State of Incorporation
Total Quality, Inc.	Michigan
TQI, Inc.	Michigan

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-151198) pertaining to the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan,
(2) Registration Statement (Form S-8 No. 033-77944) pertaining to the Forward Air Corporation Stock Option and Incentive Plan and the Employee Stock Purchase Plan,
(3) Registration Statement (Form S-8 No. 333-134294) pertaining to the Forward Air Corporation 2006 Non-Employee Director Stock Plan,
(4) Registration Statement (Form S-8 No. 333-125872) pertaining to the Forward Air Corporation 2005 Employee Stock Purchase Plan,
(5) Registration Statement (Form S-8 No. 333-120250) pertaining to the Forward Air Corporation 2000 Non-Employee Director Stock Option Award,
(6) Registration Statement (Form S-8 No. 333-120249) pertaining to the Forward Air Corporation Non-Employee Director Stock Plan, as amended, and the Forward Air Corporation 1999 Stock Option and Incentive Plan, as amended,
(7) Registration Statement (Form S-8 No. 333-94249) pertaining to the Forward Air Corporation 1999 Stock Option and Incentive Plan,
(8) Registration Statement (Form S-8 No. 333-211256) pertaining to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan and the Forward Air Corporation Amended and Restated Non-Employee Director Stock Plan -

of our reports dated February 23, 2018, with respect to the consolidated financial statements and schedule of Forward Air Corporation and the effectiveness of internal control over financial reporting of Forward Air Corporation included in this Annual Report (Form 10-K) of Forward Air Corporation for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Atlanta, GA
February 23, 2018

Exhibit 31.1

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

I, Bruce A. Campbell, Chairman, President, and Chief Executive Officer of Forward Air Corporation, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 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: February 23, 2018

/s/ Bruce A. Campbell
Bruce A. Campbell
Chairman, President and Chief
Executive Officer

Exhibit 31.2

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

I, Michael J. Morris, Chief Financial Officer, Senior Vice President and Treasurer of Forward Air Corporation, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 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: February 23, 2018

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer, Senior Vice
President and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Forward Air Corporation (the “Company”) for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Bruce A. Campbell, Chairman, President, and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2018

/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.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Forward Air Corporation (the "Company") for the period ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael J. Morris, Chief Financial Officer, Senior Vice President and Treasurer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2018

/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.