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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2020
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
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)	(I.R.S. Employer Identification No.)
1915 Snapps Ferry Road Building N Greeneville TN	**37745**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**FWRD**	**The Nasdaq Stock Market LLC**

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 every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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 definition 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 check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

The number of shares outstanding of the registrant’s common stock, $0.01 par value, as ofJuly 27, 2020 was 27,980,727.

Table of Contents

Forward Air Corporation

Part I. Financial Information

Item 1. Financial Statements (Unaudited).

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

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 80,916	$ 64,749
Accounts receivable, less allowance of $2,637 in 2020 and $2,053 in 2019	130,759	136,214
Other current assets	23,745	20,403
Current assets held for sale	11,871	14,952
Total current assets	247,291	236,318
Property and equipment	381,834	373,571
Less accumulated depreciation and amortization	187,239	180,815
Total property and equipment, net	194,595	192,756
Operating lease right-of-use assets	123,925	105,170
Goodwill and other acquired intangibles:		
Goodwill	240,933	215,699
Other acquired intangibles, net of accumulated amortization of $86,174 in 2020 and $79,250 in 2019	148,452	124,857
Total goodwill and other acquired intangibles, net	389,385	340,556
Other assets	42,710	39,374
Noncurrent assets held for sale	74,593	76,704
Total assets	$ 1,072,499	$ 990,878
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 27,682	$ 25,411
Accrued expenses	48,041	44,154
Other current liabilities	3,784	5,318
Current portion of debt and finance lease obligations	1,445	1,421
Current portion of operating lease obligations	42,108	35,886
Current liabilities held for sale	23,792	24,974
Total current liabilities	146,852	137,164
Debt and finance lease obligations, less current portion	136,549	72,249
Operating lease obligations, less current portion	82,404	69,678
Other long-term liabilities	58,194	56,448
Deferred income taxes	45,883	41,214
Noncurrent liabilities held for sale	36,325	36,943
Shareholders' equity:		
Preferred stock	—	—
Common stock, $0.01 par value: Authorized shares - 50,000,000, Issued and outstanding shares - 27,729,013 in 2020 and 27,850,233 in 2019	277	279
Additional paid-in capital	233,086	226,869
Retained earnings	332,929	350,034
Total shareholders' equity	566,292	577,182
Total liabilities and shareholders' equity	$ 1,072,499	$ 990,878

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

Forward Air Corporation
Consolidated Statements of Comprehensive Income
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Operating revenue	$ 281,678	$ 302,887	$ 587,235	$ 581,848
Operating expenses:				
Purchased transportation	142,069	143,436	292,667	275,987
Salaries, wages and employee benefits	63,772	63,841	133,331	123,798
Operating leases	17,387	16,124	35,271	31,001
Depreciation and amortization	9,413	9,227	18,747	18,515
Insurance and claims	7,722	11,757	17,766	19,745
Fuel expense	2,519	4,467	6,532	8,582
Other operating expenses	24,882	24,965	53,234	51,448
Total operating expenses	267,764	273,817	557,548	529,076
Income from continuing operations	13,914	29,070	29,687	52,772
Other expense:				
Interest expense	(1,198)	(581)	(2,051)	(1,156)
Other, net	—	(1)	—	(2)
Total other expense	(1,198)	(582)	(2,051)	(1,158)
Income before income taxes	12,716	28,488	27,636	51,614
Income tax expense	3,491	7,244	6,995	12,683
Net income from continuing operations	9,225	21,244	20,641	38,931
(Loss) income from discontinued operations, net of tax	(6,071)	1,086	(9,112)	1,806
Net income and comprehensive income	$ 3,154	$ 22,330	$ 11,529	$ 40,737
Basic net income (loss) per share:				
Continuing operations	$ 0.33	$ 0.74	$ 0.72	$ 1.35
Discontinued operations	(0.22)	0.04	(0.31)	0.07
Net income per share	$ 0.11	$ 0.78	$ 0.41	$ 1.42
Diluted net income (loss) per share:				
Continuing operations	$ 0.33	$ 0.74	$ 0.72	$ 1.35
Discontinued operations	(0.22)	0.04	(0.32)	0.06
Net income per share	$ 0.11	$ 0.78	$ 0.40	$ 1.41
Dividends per share:	$ 0.18	$ 0.18	$ 0.36	$ 0.36

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

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

	Six months ended	
	June 30, 2020	**June 30, 2019**
Operating activities:		
Net income from continuing operations	$ 20,641	$ 38,931
Adjustments to reconcile net income of continuing operations to net cash provided by operating activities of continuing operations		
Depreciation and amortization	18,747	18,515
Change in fair value of earn-out liability	(2,702)	—
Share-based compensation	5,507	5,910
Loss (gain) on disposal of property and equipment, net	9	(218)
Provision for loss on receivables	688	635
Provision for revenue adjustments	1,787	1,277
Deferred income tax expense	4,668	3,290
Changes in operating assets and liabilities		
Accounts receivable	2,979	(3,922)
Prepaid expenses and other current assets	312	(4,842)
Income taxes	(341)	(2,182)
Accounts payable and accrued expenses	7,634	6,876
Net cash provided by operating activities of continuing operations	59,929	64,270
Investing activities:		
Proceeds from disposal of property and equipment	988	1,008
Purchases of property and equipment	(14,214)	(14,214)
Acquisition of business, net of cash acquired	(55,931)	(27,000)
Net cash used in investing activities of continuing operations	(69,157)	(40,206)
Financing activities:		
Payments of finance lease obligations	(676)	(137)
Proceeds from senior credit facility	65,000	10,000
Payments on earn-out liability	(5,284)	—
Proceeds from exercise of stock options	—	1,278
Payments of cash dividends	(10,087)	(10,333)
Repurchase of common stock (repurchase program)	(15,259)	(38,617)
Proceeds from common stock issued under employee stock purchase plan	294	261
Cash settlement of share-based awards for tax withholdings	(3,286)	(2,770)
(Distributions to) contributions from subsidiary	(5,307)	5,374
Net cash provided by (used in) financing activities from continuing operations	25,395	(34,944)
Net increase (decrease) in cash of continuing operations	16,167	(10,880)
Cash from discontinued operations:		
Cash (used in) provided by operating activities of discontinued operations, net	(4,672)	7,494
Cash used in investing activities of discontinued operations, net	(635)	(2,120)
Cash provided by (used in) financing activities of discontinued operations, net	5,307	(5,374)
Net increase (decrease) in cash	16,167	(10,880)
Cash at beginning of period of continuing operations	64,749	25,657
Cash at beginning of period of discontinued operations/held for sale	—	—
Net increase (decrease) in cash	16,167	(10,880)
Less: cash at end of period of discontinued operations/held for sale	—	—
Cash at end of period of continuing operations	$ 80,916	$ 14,777

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

Forward Air Corporation
Consolidated Statements of Shareholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2019	27,850	$ 279	$ 226,869	$ 350,034	$ 577,182
Net income and comprehensive income	—	—	—	8,375	8,375
Share-based compensation	—	—	3,266	—	3,266
Dividends ($0.18 per share)	—	—	2	(5,052)	(5,050)
Cash settlement of share-based awards for tax withholdings	(42)	—	—	(2,672)	(2,672)
Share repurchases	(268)	(3)	—	(15,256)	(15,259)
Vesting of previously non-vested shares	139	1	(2)	—	(1)
Balance at March 31, 2020	27,679	$ 277	$ 230,135	$ 335,429	$ 565,841
Net income and comprehensive income	—	—	—	3,155	3,155
Common stock issued under employee stock purchase plan	7	—	295	—	295
Share-based compensation	—	—	2,654	—	2,654
Dividends ($0.18 per share)	—	—	3	(5,042)	(5,039)
Cash settlement of share-based awards for tax withholdings	(13)	—	—	(613)	(613)
Vesting of previously non-vested shares	56	—	(1)	—	(1)
Balance at June 30, 2020	27,729	$ 277	$ 233,086	$ 332,929	$ 566,292

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2018	28,535	$ 285	$ 210,296	$ 342,663	$ 553,244
Net income and comprehensive income	—	—	—	18,407	18,407
Other	—	2	—	—	2
Exercise of stock options	18	—	830	—	830
Share-based compensation	—	—	3,047	—	3,047
Dividends ($0.18 per share)	—	—	1	(5,190)	(5,189)
Cash settlement of share-based awards for tax withholdings	(44)	(1)	—	(2,720)	(2,721)
Share repurchases	(230)	(2)	—	(14,179)	(14,181)
Vesting of previously non-vested shares	136	—	—	—	—
Balance at March 31, 2019	28,415	$ 284	$ 214,174	$ 338,981	$ 553,439
Net income and comprehensive income	—	—	—	22,330	22,330
Other	—	—	(2)	(2)	(4)
Exercise of stock options	10	—	448	—	448
Common stock issued under employee stock purchase plan	5	—	261	—	261
Share-based compensation	—	—	3,197	—	3,197
Dividends ($0.18 per share)	—	—	2	(5,146)	(5,144)
Cash settlement of share-based awards for tax withholdings	(1)	—	—	(49)	(49)
Share repurchases	(407)	(4)	—	(24,432)	(24,436)
Vesting of previously non-vested shares	18	—	—	—	—
Balance at June 30, 2019	28,040	$ 280	$ 218,080	$ 331,682	$ 550,042

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

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

1. Description of Business and Basis of Presentation

Basis of Presentation and Principles of Consolidation

Forward Air Corporation ("the Company", "We", "Our") is a leading asset-light freight and logistics company. Prior to the Company's Board of Directors' (the "Board") approval of a strategy to divest the Company's Pool Distribution business ("Pool"), its services were classified into three principal reportable segments: Expedited Freight, Intermodal and Pool Distribution. As a result of the decision to divest of Pool, which has been classified as a discontinued operation, the Company now has two principal reportable segments: Expedited Freight and Intermodal (see Note 14, *Segment Reporting*). See Note 4, *Discontinued Operations and Held for Sale*, for additional information regarding the decision to divest of Pool.

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

The Company's 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 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 United States.

Pool, which has been classified as discontinued operations, provides high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. Pool offers this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company's operating results are subject to seasonal trends (as described in the Company's 2019 Form 10-K) when measured on a quarterly basis; therefore operating results for the six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. For further information, refer to the consolidated financial statements and notes thereto included in the Forward Air Corporation Annual Report on Form 10-K for the year ended December 31, 2019.

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

Discontinued Operations

On April 23, 2020, the Board approved a strategy to divest Pool within the next year. Accordingly, Pool met the criteria for assets held for sale as of June 30, 2020. Pool assets and liabilities are reflected as "Assets and liabilities held for sale" on the Consolidated Balance Sheets in this report. In addition, the results of operations for Pool have been presented in this report as discontinued operations. Amounts for all periods discussed below reflect the results of operations, financial condition and cash flows from Forward Air's continuing operations, unless otherwise noted. See Note 4, *Discontinued Operations and Held for Sale*.

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.

In particular, management has made estimates and assumptions related to the impact of the novel coronavirus ("COVID-19") on its business. COVID-19 was characterized as a pandemic by the World Health Organization on March 11, 2020. To help lessen its spread, many countries have implemented travel restrictions and/or required companies to limit or suspend business operations. These actions have disrupted supply chains and company operations around the world. The current environment resulting from COVID-19 is unprecedented and comes with a great deal of uncertainty as discussed further throughout this document.

2. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which replaces the incurred loss methodology previously employed to measure credit losses for most financial assets and requires the use of a forward-looking expected loss model. Under current accounting guidance, credit losses are recognized when it is probable a loss has been incurred. The updated guidance will require financial assets to be measured at amortized costs less a reserve, equal to the net amount expected to be collected. This standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard as of January 1, 2020, which resulted in the Company revising its allowance for doubtful accounts policy on a prospective basis. The adoption of this standard did not have a material impact on the Company's financial statements.

The Company has a broad range of customers, including freight forwarders, third-party logistics (“3PL”) companies, passenger and cargo airlines, steamship lines, and retailers, located across a diverse geography. In addition, the Company does not have a significant concentration of credit risk; no single customer accounts for more than 10% of its consolidated revenue. 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, in order to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes a general reserve based on a percentage of revenue to ensure accounts receivables are properly recorded at the net amount expected to be collected. Management evaluates the collectability of its accounts receivables at least quarterly and sets the reserve based on historical and current collection history and reasonable and supportable forecasts about any expected changes to our collection experience in the future due to changing economic conditions. 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.

3. Revenue

The Company's revenue is generated from providing transportation and related services to customers in accordance with contractual agreements, bill of lading ("BOL") contracts and general tariff provisions. Related services include accessorial charges such as terminal handling, storage, equipment rentals and customs brokerage. These services are distinct and are accounted for as separate performance obligations. Generally, the Company's performance obligations begin when a customer's BOL is received and are satisfied when the delivery of a shipment and related services are completed. The Company generally recognizes revenue for its services over time to coincide with when its customers simultaneously receive and consume the benefits of these services. Performance obligations are short-term with transit days typically less than a week. Upon delivery of a shipment or related service, customers are billed and remit payment according to payment terms.

Excluding Pool, the Company's revenue from contracts with customers is disclosed withintwo reportable segments: Expedited Freight and Intermodal. This is consistent with disclosures in earnings releases and annual reports and with the information regularly reviewed by the chief operating decision maker for evaluating financial performance. See additional discussion in Note 14, *Segment Reporting*.

4. Discontinued Operations and Held for Sale

On April 23, 2020, the Board approved a strategy to divest Pool within the next year. Accordingly, Pool met the criteria for assets held for sale as of June 30, 2020. Pool assets and liabilities are reflected as "Assets and liabilities held for sale" on the Consolidated Balance Sheets in this report. In addition, the results of operations for Pool have been presented in this report as discontinued operations.

Upon meeting the assets held for sale criteria and during its annual impairment analysis, the Company evaluated whether Pool's estimated fair value, less costs to sell, exceeded the carrying value of its assets and liabilities. As a result of that assessment, we determined that the fair value of Pool exceeded its carrying value by approximately 5%.

The results of Pool were previously included in its own segment. The Company will continue to have two reporting segments: Expedited Freight and Intermodal, which is consistent with the way the Chief Operating Decision Maker reviews operating results and makes resource decisions (See Note 14, *Segment Reporting*). Certain corporate overhead and other costs previously allocated to Pool for segment reporting purposes did not qualify for classification within discontinued operations and have been reallocated to continuing operations. These costs have been reclassified to the eliminations and other column in the segment reconciliation that appears in Note 14, *Segment Reporting*.

(In thousands, except per share data)

Summarized Held for Sale and Discontinued Operations Financial Information

The following table provides a reconciliation of the carrying amounts of major classes of assets and liabilities which are included in assets and liabilities held for sale in the accompanying Consolidated Balance Sheets as of each of the periods presented below:

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ —	$ —
Accounts receivable, less allowance of $124 in 2020 and $49 in 2019	11,224	13,983
Other current assets	647	969
Total current assets held for sale	$ 11,871	$ 14,952
Property and equipment	$ 52,046	$ 53,166
Less accumulated depreciation and amortization	32,443	32,891
Total property and equipment, net	19,603	20,275
Operating lease right-of-use assets	44,110	46,487
Goodwill and other acquired intangibles:		
Goodwill	5,406	5,406
Other acquired intangibles, net of accumulated amortization of $12,679 in 2020 and $12,359 in 2019	2,621	2,941
Total goodwill and other acquired intangibles, net	8,027	8,347
Other assets	2,853	1,595
Total noncurrent assets held for sale	$ 74,593	$ 76,704
Liabilities		
Current liabilities:		
Accounts payable	$ 2,732	$ 4,575
Accrued expenses	5,163	5,668
Other current liabilities	—	2
Current portion of operating lease obligations	15,897	14,729
Total current liabilities held for sale	$ 23,792	$ 24,974
Operating lease obligations, less current portion	$ 28,385	$ 31,847
Other long-term liabilities	3,989	2,368
Deferred income taxes	3,951	2,728
Total noncurrent liabilities held for sale	$ 36,325	$ 36,943

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

The following table summarizes the results of operations classified as discontinued operations, net of tax, in the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Operating revenue	$ 13,974	$ 42,869	$ 50,926	$ 85,379
Operating expenses:				
Purchased transportation	3,147	11,688	12,683	23,151
Salaries, wages and employee benefits	8,394	16,437	25,507	32,842
Operating leases	4,966	4,202	10,646	8,498
Depreciation and amortization	362	1,454	1,657	2,993
Insurance and claims	1,287	1,472	3,013	2,856
Fuel expense	413	1,462	1,740	2,955
Other operating expenses	3,495	4,674	7,841	9,572
Total operating expenses	22,064	41,389	63,087	82,867
(Loss) income from discontinued operations before income taxes	(8,090)	1,480	(12,161)	2,512
Income tax (benefit) expense	(2,019)	394	(3,049)	706
(Loss) income from discontinued operations, net of tax	$ (6,071)	$ 1,086	$ (9,112)	$ 1,806

5. Acquisitions and Long-Lived Assets

Expedited Freight Acquisitions

As part of the Company's strategy to expand final mile pickup and delivery operations, in January 2020, the Company acquired certain assets and liabilities of Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, “Linn Star”) for $57,239. This acquisition increased the Company's Final Mile capabilities with an additional 20 locations. In addition, in April 2019, the Company acquired certain assets and liabilities of FSA Network, Inc., doing business as FSA Logistix (“FSA”), for $27,000 and a potential earnout of up to $15,000. Both transactions were funded using cash flows from operations. 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 Expedited Freight reportable segment.

The FSA acquisition agreement provides the sellers an earnout opportunity of up to $15,000 based on the achievement of certain revenue milestones over two one-year periods, beginning May 1, 2019. Upon acquisition, the fair value of the earn-out liability was $11,803 and was included in other current and long-term liabilities in the opening consolidated balance sheet. The earn-out liability was classified as 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”) and the value was determined based on estimated revenues and the probability of achieving them. The fair value was based on the two-year performance of FSA's acquired customer revenue and was estimated using a Monte Carlo simulation.

(In thousands, except per share data)

The initial weighted average assumptions used in the Monte Carlo simulation are summarized in the following table:

	FSA Earn-out		
	April 21, 2019	**December 31, 2019**	**June 30, 2020**
Risk-free rate	2.9%	2.2%	2.2%
Revenue discount rate	4.4%	4.4%	3.2%
Revenue volatility	3.0%	5.0%	6.0%

In June 2020, the Company paid the first period's earn-out payment of $5,284; the second and final payment is expected to be paid in the second quarter of 2021. Excluding the impact from this payment, during the three months ended June 30, 2020, the earn-out fair value decreased $2,108 to $3,784, which is classified as a current liability. The change in fair value is included in other operating expenses and is based on changes in expected cash flows and expected new business wins.

Intermodal Acquisitions

As part of the Company's strategy to expand its Intermodal operations, in July 2019, the Company acquired certain assets and liabilities of O.S.T. Logistics, Inc. and O.S.T. Trucking Co., Inc. (together referred to as “OST”) for $12,000. OST is a drayage company and expanded the Company's intermodal footprint on the East Coast, primarily in Baltimore, Maryland, with additional locations in Pennsylvania, Virginia, South Carolina and Georgia. This transaction was funded using cash flows from operations. The assets, liabilities, and operating results of the acquisition have been included in the Company's consolidated financial statements from the date of acquisition and have been included in the Intermodal reportable segment.

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

Allocations of Purchase Price

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

	FSA April 21, 2019	OST July 14, 2019	Linn Star January 12, 2020
Tangible assets:			
Cash	$ 202	$ —	$ 1,308
Other receivables	1,491	—	—
Prepaid expenses and other current assets	—	—	1,182
Property and equipment	40	10,371	605
Operating lease right-of-use assets	3,209	1,672	10,011
Total tangible assets	4,942	12,043	13,106
Intangible assets:			
Non-compete agreements	900	850	450
Customer relationships	17,900	5,700	29,800
Goodwill	19,963	2,050	25,234
Total intangible assets	38,763	8,600	55,484
Total assets acquired	43,705	20,643	68,590
Liabilities assumed:			
Current liabilities	8,466	—	1,340
Other liabilities	5,030	—	—
Debt and finance lease obligations	—	6,971	—
Operating lease obligations	3,209	1,672	10,011
Total liabilities assumed	16,705	8,643	11,351
Net assets acquired	$ 27,000	$ 12,000	$ 57,239

The above purchase price allocation for Linn Star is preliminary as the Company is still in the process of finalizing the valuation of the acquired assets and liabilities assumed. The above estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition date through the date of this filing. The acquired definite-lived intangible assets have the following useful lives:

	Useful Lives		
	FSA	**OST**	**Linn Star**
Non-compete agreements	5 years	3 years	1 year
Customer relationships	15 years	10 years	15 years

The fair value of the non-compete agreements and customer relationships 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.

(In thousands, except per share data)

Goodwill

Goodwill is allocated to reporting units that are expected to benefit from the business combinations generating the goodwill. Excluding Pool, the Company has four reporting units - Expedited LTL, Truckload, Final Mile and Intermodal. As discussed in Note 4, *Discontinued Operations and Held for Sale*, the carrying amounts of Pool's assets and liabilities, including goodwill, are classified as held for sale in the accompanying Consolidated Balance Sheets and its operating results are not part of the continuing operations of the Company.

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2020 and no impairment charges were required. The Company estimated 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 (level 3). Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. Our calculations for Expedited LTL, Truckload, Final Mile and Intermodal indicated the fair value of each reporting unit exceeded their carrying value by 421.6%, 65.7%, 118.5% and 49.4%, respectively, as of June 30, 2020.

This discounted projected cash flow analysis required the Company to calculate the present value of its projected future cash flows using each reporting unit's applicable discount rate. The Company used a ten-year projection period to derive operating cash flow projections. Certain assumptions were made regarding future revenue and operating income growth based on industry market data and historical and expected performance. The Company's projected operating income was combined with expected working capital and capital expenditure requirements to determine operating cash flows. The significant assumptions used in this analysis were as follows:

	Expedited LTL	Truckload	Final Mile	Intermodal
Discount rate	10.5%	13.5%	13.5%	13.5%
Terminal growth rate	4.0%	4.0%	4.0%	4.0%

Market valuations for comparable companies employ valuation multiples derived from market stock prices of companies that are engaged in the same or similar lines of business as the reporting units and that are actively traded on a free and open market. The estimates used to calculate the fair value of each reporting unit change over time 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.

(In thousands, except per share data)

The following is a summary of the Company's goodwill as of June 30, 2020. Approximately $161,789 of goodwill is deductible for tax purposes.

	Beginning balance, December 31, 2019	Linn Star Acquisition	Ending balance, June 30, 2020
Expedited LTL			
Goodwill	$ 97,593	$ —	$ 97,593
Accumulated Impairment	—	—	—
Truckload			
Goodwill	45,164	—	45,164
Accumulated Impairment	(25,686)	—	(25,686)
Final Mile			
Goodwill	19,963	25,234	45,197
Accumulated Impairment	—	—	—
Intermodal			
Goodwill	78,665	—	78,665
Accumulated Impairment	—	—	—
Total			
Goodwill	241,385	25,234	266,619
Accumulated Impairment	(25,686)	—	(25,686)
	$ 215,699	$ 25,234	$ 240,933

Other Long-Lived Assets

The Company tests its long-lived assets (asset groups) for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Management evaluates long-lived assets for impairment at the lowest level for which cashflows are identifiable. In general, these assets are reviewed at the reporting unit level, discussed above, by significant asset category. Examples of significant asset categories include land, buildings, tractors, trailers, other equipment, leasehold improvements, right-of-use lease assets, customer relationships, non-compete agreements, software and inventory.

As part of the Company's annual goodwill impairment analysis, management compared the undiscounted cash flows of each reporting unit to the carrying value of its long-lived assets, noting no impairment charges were required during the three and six months ended June 30, 2020.

6. Share-Based Payments

The Company's general practice has been to make a single annual grant of share-based compensation in the first quarter to key employees and to make other employee grants only in connection with new employment or promotions. Forms of share-based compensation granted to employees by the Company include stock options, non-vested shares of common stock ("non-vested shares"), and performance shares. The Company also typically makes a single annual grant of non-vested shares to non-employee directors in conjunction with the annual election of non-employee directors to the Board of Directors. Share-based compensation is based on the grant date fair value of the instrument and is recognized ratably over the requisite service period or vesting period. All share-based compensation expense is recognized in salaries, wages and employee benefits. Share-based compensation amounts below are disclosed on both a continuing and discontinuing basis.

(In thousands, except per share data)

Employee Activity - Stock Options

Stock option grants to employees generally expire seven years from the grant date and typically vest ratably over a three-year period. All forfeitures were recognized as they occurred. The Company used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. There were no options granted during the six months ended June 30, 2019. Further, there were no options granted to employees of the Company's discontinued operations during the six months ended June 30, 2020 or 2019. The weighted-average fair value of options granted and assumptions used to estimate their fair value during the six months ended June 30, 2020 were as follows (on a continuing basis):

	Six months ended June 30, 2020
Expected dividend yield	1.1 %
Expected stock price volatility	24.1 %
Weighted average risk-free interest rate	1.5 %
Expected life of options (years)	5.9
Weighted average grant date fair value	$ 14.79

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

	Six months ended June 30, 2020			
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term
Outstanding at December 31, 2019	417	$ 53		
Granted	36	66		
Exercised	—	—		
Forfeited	(4)	60		
Outstanding at June 30, 2020	449	$ 54	$ 247	3.9
Exercisable at June 30, 2020	317	$ 51	$ 1,379	3.3

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for options	$ 600	$ 829
Tax benefit for option compensation	$ 153	$ 212
Unrecognized compensation cost for options	$ 1,348	$ 2,316
Weighted average period over which unrecognized compensation will be recognized (years)	1.6	

(In thousands, except per share data)

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

	Six months ended June 30, 2020			
	Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term
Outstanding at December 31, 2019	14	$ 52		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Outstanding at June 30, 2020	14	$ 52	$ 37	3.3
Exercisable at June 30, 2020	12	$ 52	$ 41	3.2

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for options	$ 11	$ 21
Tax benefit for option compensation	$ 3	$ 5
Unrecognized compensation cost for options	$ 11	$ 42
Weighted average period over which unrecognized compensation will be recognized (years)	0.6	

Employee Activity - Non-vested Shares

The fair value of non-vested shares issued was estimated using the closing market prices for the business day of the grant. The share-based compensation for the nonvested shares is recognized ratably over the requisite service period or vesting period, which is a three-year period. All forfeitures were recognized as they occurred.

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

	Six months ended June 30, 2020		
	Non-vested Shares	Weighted-Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Outstanding and non-vested at December 31, 2019	264	$ 58	
Granted	111	66	
Vested	(140)	57	
Forfeited	(13)	62	
Outstanding and non-vested at June 30, 2020	222	$ 63	$ 13,964

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for non-vested shares	$ 3,727	$ 3,960
Tax benefit for non-vested share compensation	$ 950	$ 1,010
Unrecognized compensation cost for non-vested shares	$ 11,019	$ 12,635
Weighted average period over which unrecognized compensation will be recognized (years)	2.0	

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

	Six months ended June 30, 2020		
	Non-vested Shares	Weighted-Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Outstanding and non-vested at December 31, 2019	13	$ 58	
Granted	6	63	
Vested	(8)	58	
Forfeited	—	—	
Outstanding and non-vested at June 30, 2020	11	$ 61	$ 678

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for non-vested shares	$ 201	$ 182
Tax benefit for non-vested share compensation	$ 51	$ 46
Unrecognized compensation cost for non-vested shares	$ 552	$ 557
Weighted average period over which unrecognized compensation will be recognized (years)	2.1	

Employee Activity - Performance Shares

The Company annually grants performance shares to key employees. Under the terms of the performance share agreements, following the end of a three-year performance period, the Company may issue to these employees a calculated number of common stock shares if certain performance targets are met. For shares granted during the three and six months ended June 30, 2020 and 2019, 50% of the performance share issuances will be based on meeting three-year earnings before interest, taxes, depreciation and amortization ("EBITDA") per share targets and the remaining 50% of the performance share issuances will be based on thethree-year performance of the Company's total shareholder return ("TSR") as compared to the TSR of a selected peer group. All forfeitures were recognized as they occurred.

Depending upon the EBITDA per share targets met, 0% to 200% of the granted shares may ultimately be issued. For shares granted based on total shareholder return, 0% of the shares will be issued if the Company's total shareholder return outperforms 25% or less of the peer group, but 200% of the shares will be issued if the Company's total shareholder return performs better than 90% of the peer group.

The fair value of the performance shares granted based on meeting EBITDA per share targets were estimated using the closing market prices on the day of grant and the probability of meeting these targets as of the measurement date. The fair value of the performance shares granted based on thethree-year performance of the Company's total shareholder return was estimated using a Monte Carlo simulation. The following table contains the weighted-average assumptions, on both a continuing and discontinued basis, used to estimate the fair value of performance shares granted using the Monte Carlo simulation. These assumptions are subjective and changes in these assumptions can materially affect the fair value estimate.

(In thousands, except per share data)

	Six months ended	
	June 30, 2020	June 30, 2019
Expected stock price volatility	23.5 %	23.4 %
Weighted average risk-free interest rate	1.4 %	2.5 %

The following tables summarize the Company’s employee performance share activity, assuming median share awards, and related information on a continuing basis:

	Six months ended June 30, 2020		
	Performance Shares	Weighted-Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Outstanding and non-vested at December 31, 2019	58	$ 62	
Granted	38	69	
Additional shares awarded based on performance	13	51	
Vested	(33)	51	
Forfeited	(11)	66	
Outstanding and non-vested at June 30, 2020	65	$ 68	$ 4,425

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for performance shares	$ 794	$ 682
Tax benefit for performance share compensation	$ 202	$ 174
Unrecognized compensation cost for performance shares	$ 2,837	$ 2,299
Weighted average period over which unrecognized compensation will be recognized (years)	2.3	

The following tables summarize the Company’s employee performance share activity, assuming median share awards, and related information on a discontinued basis:

	Six months ended June 30, 2020		
	Performance Shares	Weighted-Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Outstanding and non-vested at December 31, 2019	4	$ 62	
Granted	2	69	
Additional shares awarded based on performance	1	51	
Vested	(2)	51	
Forfeited	—	—	
Outstanding and non-vested at June 30, 2020	5	$ 66	$ 275

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for performance shares	$ 48	$ 35
Tax benefit for performance share compensation	$ 12	$ 9
Unrecognized compensation cost for performance shares	$ 165	$ 137
Weighted average period over which unrecognized compensation will be recognized (years)	2.1	

Employee Activity – Employee Stock Purchase Plan

Under the 2005 Employee Stock Purchase Plan (the "ESPP"), which has been approved by shareholders, the Company is authorized to issue up to a remaining350 shares of common stock to employees of the Company. 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 following table summarizes the Company's employee stock purchase activity and related information on a continuing basis:

	Six months ended	
	June 30, 2020	June 30, 2019
Shares purchased by participants under plan	6	4
Average purchase price	$ 45	$ 49
Weighted-average fair value of each purchase right under the ESPP granted [1]	$ 5	$ 10
Share-based compensation for ESPP shares	$ 30	$ 46

[1] Equal to the discount from the market value of the common stock at the end of each six month purchase period

The following table summarizes the Company's employee stock purchase activity and related information on a discontinued basis:

	Six months ended	
	June 30, 2020	June 30, 2019
Shares purchased by participants under plan	1	1
Average purchase price	$ 45	$ 49
Weighted-average fair value of each purchase right under the ESPP granted [1]	$ 5	$ 10
Share-based compensation for ESPP shares	$ 3	$ 6

[1] Equal to the discount from the market value of the common stock at the end of each six month purchase period

Non-employee Director Activity - 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 on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the Grant Date or (b) the first anniversary of the Grant Date 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. All forfeitures were recognized as they occurred.

(In thousands, except per share data)

In May 2016, with the approval of shareholders, the Company further amended the Amended Plan to reserve for issuance an additional160 common shares, increasing the total number of reserved common shares under the Amended Plan to 360. As of June 30, 2020, there were approximately 92 shares remaining available for grant. There were no shares granted to non-employee directors classified as discontinued operations in any period.

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

	Six months ended June 30, 2020		
	Non-vested Shares	Weighted-Average Grant Date Fair Value	Aggregate Grant Date Fair Value
Outstanding and non-vested at December 31, 2019	16	$ 62	
Granted	24	43	
Vested	(16)	62	
Forfeited	—	—	
Outstanding and non-vested at June 30, 2020	24	$ 43	$ 1,035

	Six months ended	
	June 30, 2020	June 30, 2019
Share-based compensation for non-vested shares	$ 506	$ 483
Tax benefit for non-vested share compensation	$ 129	$ 123
Unrecognized compensation cost for non-vested shares	$ 896	$ 784
Weighted average period over which unrecognized compensation will be recognized (years)	0.9	

7. Senior Credit Facility

The Company has a five-year senior unsecured revolving credit facility (the "Facility") that was entered into on September 29, 2017 and amended on April 16, 2020. The Facility has a maximum aggregate principal amount of $225,000, 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 $25,000 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 and may be used to refinance existing indebtedness of the Company and 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 will be at the base interest rate (which cannot be less than 3.00%) and will be the highest of (a) the federal funds rate (which cannot be less than 0.00%) plus 0.50%, (b) the administrative agent's prime rate and (c) the LIBOR Rate (which cannot be less than 1.00%) plus 1.00% and, in each case, a margin that can range from 0.25% to 0.75% 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 June 30, 2020, the Company had $132,500 in borrowings outstanding under the revolving credit facility, $15,367 utilized for outstanding letters of credit and $77,133 of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 3.25% as of June 30, 2020.

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. As of June 30, 2020, the Company was in compliance with the aforementioned covenants.

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

8. Net Income Per Share

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

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Numerator:				
Net income and comprehensive income from continuing operations	$ 9,225	$ 21,244	$ 20,641	$ 38,931
Net (loss) income and comprehensive (loss) income from discontinued operations	(6,071)	1,086	(9,112)	1,806
Net income attributable to Forward Air shareholders	$ 3,154	$ 22,330	$ 11,529	$ 40,737
Income allocated to participating securities	(13)	(251)	(83)	(459)
Numerator for basic and diluted net income per share for continuing operations	$ 9,212	$ 20,993	$ 20,558	$ 38,472
Numerator for basic and diluted net (loss) income per share for discontinued operations	$ (6,071)	$ 1,086	$ (9,112)	$ 1,806
Denominator:				
Denominator for basic income per share - weighted-average shares	27,695	28,268	28,424	28,421
Effect of dilutive stock options	13	77	35	76
Effect of dilutive performance shares	18	28	32	34
Denominator for diluted income per share - adjusted weighted-average shares	27,726	28,373	28,491	28,531
Basic net income (loss) per share:				
Continuing operations	$ 0.33	$ 0.74	$ 0.72	$ 1.35
Discontinued operations	(0.22)	0.04	(0.31)	0.07
Net income per share	$ 0.11	$ 0.78	$ 0.41	$ 1.42
Diluted net income (loss) per share:				
Continuing operations	$ 0.33	$ 0.74	$ 0.72	$ 1.35
Discontinued operations	(0.22)	0.04	(0.32)	0.06
Net income per share	$ 0.11	$ 0.78	$ 0.40	$ 1.41

(In thousands, except per share data)

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:

	June 30, 2020	June 30, 2019
Anti-dilutive stock options	218	194
Anti-dilutive performance shares	29	—
Anti-dilutive non-vested shares and deferred stock units	95	—
Total anti-dilutive shares	342	194

9. Income Taxes

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

For the six months ended June 30, 2020 and 2019, the effective income tax rates varied from the statutory federal income tax rate of 21.0%, primarily as a result of the effect of state income taxes, net of the federal benefit, and permanent differences between book and tax net income. The combined federal and state effective tax rate for continuing operations for the six months ended June 30, 2020 was 25.3% compared to a rate of 24.6% for the same period in 2019. The higher effective tax rate for the six months ended June 30, 2020 was primarily due to decreased stock based compensation vesting and exercises when compared to the same period in 2019 and increased executive compensation as a percentage of income before income taxes, which was not deductible for income tax purposes.

10. Leases

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An entity controls the use of the identified asset if both of the following are true: (1) the entity obtains the right to substantially all of the economic benefits from use of the identified asset and (2) the entity has the right to direct the use of the identified asset. For the three and six months ended June 30, 2020, the Company leased facilities and equipment under operating and finance leases, which were accounted for in accordance with ASU 2016-02, Leases.

The Company elected the practical expedients as allowed per this guidance to combine lease and non-lease components and to keep leases with an initial term of 12 months or less, after the consideration of options, off the balance sheet. Additionally, variable lease and variable nonlease components were not contemplated in the calculation of the right-of-use asset and corresponding liability.

For leases and subleases with terms greater than 12 months, the Company records the related right-of-use asset as the balance of the related lease liability, adjusted for any prepaid or accrued lease payments. Unamortized initial direct costs and lease incentives were not significant as of June 30, 2020. The lease liability was recorded at the present value of the lease payments over the term. Many of the Company's leases include rental escalation clauses, renewal options and/or termination options that were contemplated in the determination of lease payments when appropriate. As of June 30, 2020, the Company was not reasonably certain of exercising any renewal options. Further, as of June 30, 2020, it was reasonably certain that all termination options would not be exercised. As such, there were no adjustments made to its right-of-use lease assets or corresponding liabilities as a result. In addition, the Company does not have any leases with residual value guarantees or material restrictions or covenants as of June 30, 2020.

For these leases with an initial term of 12 months or less, after the consideration of options, the Company recognizes the corresponding lease expense on a straight-line basis over the lease term.

(In thousands, except per share data)

Operating Leases

The Company leases some of its facilities under noncancelable operating leases that expire in various years through 2028. Certain leases may be renewed for periods varying from 1 to 10 years. In conjunction with the acquisition of Linn Star in January 2020, discussed further in Note 5, *Acquisitions and Long-Lived Assets*, the Company assumed operating facility leases that expire in various years through 2025 and had a right-of-use asset and corresponding lease liability of approximately $10,011 at acquisition.

The Company has also historically entered into or assumed through acquisition several equipment operating leases for assets including tractors, straight trucks and trailers with original lease terms between 2 and 6 years. These leases expire in various years through 2025 and certain leases may be renewed for periods varying from 1 to 3 years. The Company did not enter into any material equipment leases outside the normal course of business during the six months ended June 30, 2020.

As of June 30, 2020, the Company has certain obligations to lease tractors, which will be delivered throughout 2020. These leases are expected to have terms of approximately 3 to 4 years and are not expected to materially impact the Company's right-of-use lease assets or liabilities as of June 30, 2020.

Finance Leases

Primarily through acquisitions, the Company assumes equipment leases that meet the criteria for classification as a finance lease with remaining lease terms between 2 and 7 years. These leases expire in various years through 2025 with no options to renew. The finance leased equipment is being amortized over the shorter of the lease term or useful life. The Company did not enter into any new finance leases during the six months ended June 30, 2020.

11. Financial Instruments

Off Balance Sheet Risk

As of June 30, 2020, the Company had letters of credit outstanding totaling $15,367.

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.

Revolving credit facility: The Company’s revolving credit facility bears variable interest rates plus additional basis points based upon covenants related to total indebtedness to earnings. As the revolving credit facility bears a variable interest rate, the carrying value approximates fair value.

The fair value estimates of earn-outs are discussed in Note 5, *Acquisitions and Long-Lived Assets.*

Using interest rate quotes and discounted cash flows, the Company estimated the fair value of its outstanding finance lease obligations as follows:

	June 30, 2020	
	Carrying Value	Fair Value
Finance leases	$ 5,626	$ 5,945

The carrying value of the finance lease obligations are included within the Equipment section of Property and equipment on the Company’s Consolidated Balance Sheet. 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.

(In thousands, except per share data)

12. Shareholders' Equity

During each quarter of 2019 and the first and second quarter of 2020, the Company's Board of Directors declared a cash dividend of $0.18 per share of common stock. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

On July 21, 2016, the Company's Board of Directors approved a stock repurchase authorization for up to3,000 shares of the Company’s common stock (the "2016 Repurchase Plan"). On February 5, 2019, the Company's Board of Directors canceled the Company’s 2016 Repurchase Plan and approved a new stock repurchase plan authorizing up to 5,000 shares of the Company’s common stock (the “2019 Repurchase Plan”) that shall remain in effect until such time as the shares authorized for repurchase are exhausted or the plan is canceled. The Company is not obligated to repurchase any specific number of shares and may suspend or cancel the plan at any time. The Company does not expect to repurchase any shares under this plan during the third quarter of 2020.

The following tables summarize the Company's share repurchases for the three andsix months ended June 30, 2020 and 2019.

	Three months ended					
	June 30, 2020			June 30, 2019		
	Shares repurchased	Cost of shares repurchased	Average cost per share	Shares repurchased	Cost of shares repurchased	Average cost per share
2019 Repurchase Plan	—	$ —	$ —	407	$ 24,436	$ 60.05
Total	—	$ —	$ —	407	$ 24,436	$ 60.05

	Six months ended					
	June 30, 2020			June 30, 2019		
	Shares repurchased	Cost of shares repurchased	Average cost per share	Shares repurchased	Cost of shares repurchased	Average cost per share
2016 Repurchase Plan	—	$ —	$ —	68	$ 3,850	$ 56.97
2019 Repurchase Plan	268	15,259	56.93	569	34,767	61.08
Total	268	$ 15,259	$ 56.93	637	$ 38,617	$ 60.65

As of June 30, 2020, 3,887 shares were available to be purchased under the 2019 Plan.

13. Commitments and Contingencies

Self-Insurance Reserves

From time to time, the Company is party to ordinary, routine litigation incidental to and arising in the normal course of business. The Company does not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on its business, financial condition, results of operations or cash flows. The primary claims in the Company’s business relate to workers’ compensation, property damage, vehicle liability and employee medical benefits. Most of the Company’s insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. Such insurance coverage above the applicable self-insurance levels continues to be an important part of the Company's risk management process.

In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported. The Company is responsible for the first $7,500 per incident until it meets the $6,000 aggregate deductible for incidents resulting in claims between$3,000 and $5,000 and the $2,500 aggregate deductible for incidents resulting in claims between$5,000 and $10,000. Due to 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.

Purchase Commitments

As of June 30, 2020, the Company had commitments to purchase trailer rollerbeds for approximately$288 during 2020.

14. Segment Reporting

The Company operates in two reportable segments based on information available to and used by the chief operating decision maker ("CODM"). This classification is consistent with how the CODM makes decisions about resource allocation and assesses the Company's performance. 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.

Expedited Freight operates a comprehensive national network to provide expedited regional, inter-regional and national LTL services and offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. Intermodal primarily provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads.

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, *Description of Business and Basis of Presentation,* to the Forward Air Corporation Annual Report on Form 10-K for the year endedDecember 31, 2019. For workers compensation and vehicle claims, each segment is charged an insurance premium and is also charged a deductible that corresponds with each segment's individual self-retention limit. However, any losses beyond these deductibles and any loss development factors applied to outstanding claims as a result of actuary analysis are not passed to the segments, but recorded at the corporate level ("Eliminations & other").

Segment data includes intersegment revenues and shared costs. Costs of the corporate headquarters, shared services and shared assets, such as trailers, are allocated to the segments based on usage. The cost basis of shared assets are not allocated. Instead, the cost basis for the majority of shared assets, such as trailers, are included in Expedited Freight.

The following tables summarize segment information from continuing operations for the three andsix months ended June 30, 2020 and 2019:

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

	Three months ended June 30, 2020			
	Expedited Freight	Intermodal	Eliminations & other	Continuing Operations
External revenues	$ 235,417	$ 46,420	$ —	$ 281,837
Intersegment revenues	241	8	(408)	(159)
Depreciation	5,009	1,081	25	6,115
Amortization	1,731	1,567	—	3,298
Share-based compensation expense	2,062	472	(105)	2,429
Interest expense	3	59	1,136	1,198
Income (loss) from operations	11,753	4,413	(2,252)	13,914
Total assets	912,814	212,923	(139,702)	986,035
Capital expenditures	11,545	18	—	11,563

	Three months ended June 30, 2019 (As Adjusted)			
	Expedited Freight	Intermodal	Eliminations & other	Continuing Operations
External revenues	$ 252,468	$ 50,522	$ —	$ 302,990
Intersegment revenues	818	17	(938)	(103)
Depreciation	6,399	463	(46)	6,816
Amortization	1,081	1,330	—	2,411
Share-based compensation expense	2,391	443	211	3,045
Interest expense	2	—	579	581
Income (loss) from operations	28,187	5,245	(4,362)	29,070
Total assets	687,570	187,815	(20,530)	854,855
Capital expenditures	11,761	142	—	11,903

Forward Air Corporation
Notes to Consolidated Financial Statements
(In thousands, except per share data)
(Unaudited)
June 30, 2020

	Six months ended June 30, 2020			
	Expedited Freight	Intermodal	Eliminations & other	Continuing Operations
External revenues	$ 488,560	$ 98,875	$ —	$ 587,435
Intersegment revenues	727	13	(940)	(200)
Depreciation	9,916	2,134	43	12,093
Amortization	3,519	3,135	—	6,654
Share-based compensation expense	4,729	861	(83)	5,507
Interest expense	6	113	1,932	2,051
Income (loss) from operations	26,933	8,126	(5,372)	29,687
Total assets	912,814	212,923	(139,702)	986,035
Capital expenditures	13,950	264	—	14,214

	Six months ended June 30, 2019 (As Adjusted)			
	Expedited Freight	Intermodal	Eliminations & other	Continuing Operations
External revenues	$ 477,421	$ 104,619	$ —	$ 582,040
Intersegment revenues	1,523	35	(1,750)	(192)
Depreciation	13,005	932	(86)	13,851
Amortization	1,927	2,737	—	4,664
Share-based compensation expense	4,560	974	376	5,910
Interest expense	4	2	1,150	1,156
Income (loss) from operations	49,093	11,426	(7,747)	52,772
Total assets	687,570	187,815	(20,530)	854,855
Capital expenditures	13,999	215	—	14,214

The following table summarizes revenue from the defined services included within Expedited Freight revenue for the three andsix months ended June 30, 2020 and 2019:

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Expedited freight revenue:				
Network revenue	$ 134,173	$ 172,491	$ 286,182	$ 333,841
Truckload revenue	41,857	48,624	89,384	96,309
Final mile revenue	53,427	24,957	101,229	34,714
Other revenue	6,201	7,214	12,492	14,080
Total revenue	$ 235,658	$ 253,286	$ 489,287	$ 478,944

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

Overview

Forward Air Corporation is a leading asset-light freight and logistics company. As a result of the Company's decision to divest of Pool, our services are now classified into two reportable segments: Expedited Freight and Intermodal.

Through the Expedited Freight segment, we operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited Freight offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. We plan to grow our LTL and final mile geographic footprints through greenfield start-ups as well as acquisitions. On July 13, 2020, we announced an organic growth initiative and now offer LTL service in Savannah, Georgia. With this expansion, our LTL network began its evolution toward broader market coverage beyond its legacy airport-to-airport footprint.

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 container freight station ("CFS") warehouse and handling services. Today, Intermodal operates primarily in the Midwest and Southeast, with smaller operational presence in Southwest and Mid-Atlantic United States. 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. On April 16, 2020, we announced a greenfield start-up in Front Royal, VA, which furthered our growth objectives.

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 services, such as LTL pickup and delivery, final mile solutions and intermodal services, which will allow us to maintain revenue growth in challenging shipping environments. In addition, we are continuing to execute synergies across our services, particularly with service offerings in the Expedited Freight segment. Synergistic opportunities include the ability to share resources, particularly our fleet resources.

On April 23, 2020, the Board approved a strategy to divest Pool within the next year. As a result of this decision, Forward Air reclassified Pool from continuing operations to discontinued operations in accordance with ASC 205-20. Pool provides high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. Pool offers this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

Pool has been reported as discontinued operations in our Consolidated Statements of Comprehensive Income, and the related assets and liabilities have been presented as held for sale in the Consolidated Balance Sheets. These changes have been applied to all periods presented. Unless otherwise noted, amounts, percentages and discussion for all periods included below reflect the results of operations, financial condition and cash flows from Forward Air's continuing operations. Refer to Note 4, *Discontinued Operations and Held for Sale*, to the Company's consolidated financial statements for additional information on discontinued operations.

Trends and Developments

Impact of COVID-19

COVID-19 was characterized as a pandemic by the World Health Organization on March 11, 2020. To help lessen its spread, many countries implemented travel restrictions and/or required companies to limit or suspend business operations. These actions disrupted supply chains and company operations around the world. These restrictions began to lessen in May 2020, although the effects are still being felt. The current environment resulting from COVID-19 is unprecedented and comes with a great deal of uncertainty.

The Forward Air team is actively managing through the COVID-19 pandemic, with a paramount focus on team member and customer safety. Given our modal exposures to air freight, ocean freight and physical retail, the impact of COVID-19 presents a meaningful challenge that we are addressing through our asset-light business model.

In Expedited Freight, our networks remain fully operational. However, much of the freight that typically moves through our LTL network is not classified as "essential goods" - such as staples, consumables or consumer packaged goods. As such, we were adversely impacted by the numerous stay-at-home orders that were issued in March 2020 to combat COVID-19. In addition, declining fuel prices have resulted in decreased fuel surcharge revenue as compared to prior periods.

Despite these headwinds, we are making key investments that we believe will enable us to emerge from this episode as a stronger LTL competitor (amid a potentially reduced field of service providers). Our owner-operator fleet is the best it has ever been, which helped reduce our use of brokered power to approximately 6.0% of miles in the six months ended June 30, 2020. Our Truckload team is becoming more integrated in our LTL operations, and our Truckload brokerage group is growing by generating opportunities amid supply chain disruptions. We are also integrating Final Mile into our LTL operations while organically growing in an environment where more heavy-bulky items are being ordered online. We are presently operating four terminals that service both our Final Mile and LTL operations and expect this number to grow in the future. In addition, our Final Mile fleet is supporting LTL operations by performing pickup and delivery services on their behalf in six terminals.

COVID-19 also impacted our Intermodal business, which faced reduced volumes from lower Asian imports amid reduced US demand, blank sailings and port congestion driven by container imbalances. Our Intermodal network remains fully functional with all terminals open and we lowered purchase transportation and labor costs to address the volume declines.

Beyond lowering our costs through our flexible business model, we are actively pursuing new revenue opportunities in line with our medium-term growth objectives. We believe that we have the most reliable networks for moving freight that is bigger-than-a-box, and we are stretching these capabilities to “essential goods,” small and midsize businesses, business-to-consumer shipments, new verticals and warehousing opportunities.

As discussed above, on April 23, 2020, the Company's Board approved a strategy to divest Pool within the next year. This represents a strategic shift for the Company that will have a major effect on its operations and financial results. The Company is currently exploring all options to divest of these assets, but has not entered into a material definitive agreement to sell these assets as of the date of this report. However, the Company does believe it is probable that these assets will be divested within a year of receiving this authority from the Board. As a result, the Company has reported Pool as a Discontinued Operation in this report. COVID-19’s impact on our Pool Distribution business has been significant. Reduced US demand, coupled with temporary retail mall closures in response to stay-at-home orders in March 2020, have materially reduced Pool’s revenue. We furloughed roughly 90% of Pool’s workforce in response in April 2020, although we are bringing the workforce back as volumes rebound. As of June 30, 2020, we returned to approximately 80% of our pre-COVID-19 workforce levels. We remain committed to serving our current and additional Pool customers as volumes improve while we are pursuing divestiture options for this business unit.

We expected a downturn in Q2 2020, but project a slow recovery sequentially through Q1 2021, although year-on-year growth is expected to be negative for the remainder of 2020. Pool’s results drove a discontinued operations loss for the three and six months ended June 30, 2020, however on a continuing operations and consolidated basis, the Company was profitable and expects to be profitable for the remainder of the year ended December 31, 2020.

We have also taken steps to improve our financial flexibility by executing an amendment to increase the availability on our $150 million revolving credit facility by $75 million, which closed on April 16, 2020. In addition, we have deferred payroll and federal and state income tax payments as allowed by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which resulted in an approximately $5 million cash flow benefit for the second quarter of 2020 and is expected to result in an approximately $12 million cash flow benefit for 2020. This includes cash flow benefits for the Company as a whole, including cash flows related to discontinued operations. Note that payroll taxes may be deferred for all of 2020, while federal and state income tax payments were only permitted to be deferred for the second quarter of 2020 and were due and payable on or before July 15, 2020. In addition, we took advantage of employee retention credits as allowed by the CARES Act of $0.8 million, which primarily benefited our discontinued operations. At this time, the Company does not expect any liquidity issues or inability in meeting its financial obligations. See additional discussion over the impact to our results from operations below.

Expedited LTL Acquisitions

As part of our strategy to expand our final mile pickup and delivery operations, in January 2020, we acquired certain assets and liabilities of Linn Star for $57.2 million. This acquisition increased our Final Mile capabilities with an additional 20 locations. In addition, in April 2019, we acquired certain assets and liabilities of FSA for $27.0 million and a potential earnout of up to $15.0 million based upon future revenue generation. We paid the first installment on this earn-out of $5.3 million in June 2020. The remaining expected payment had a fair value of $3.8 million as of June 30, 2020. These acquisitions provided an opportunity for our Expedited Freight segment to expand its final mile service offering into additional geographic markets, form relationships with new customers, and add volumes to our existing locations.

These acquisitions were funded using cash flows from operations. 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 Expedited Freight reportable segment. See additional discussion in Note 5, *Acquisitions and Long-Lived Assets*, to our Consolidated Financial Statements.

Intermodal Acquisitions

As part of our strategy to expand our Intermodal operations, in July 2019, we acquired certain assets and liabilities of OST for $12.0 million. OST is a drayage company and expanded our intermodal footprint on the East Coast, primarily in Baltimore, Maryland, with additional locations in Pennsylvania, Virginia, South Carolina and Georgia. This acquisition was funded using cash flows from operations and provide an opportunity for our Intermodal segment to expand into additional geographic markets and add volumes to our existing locations. The assets, liabilities, and operating results of this acquisition have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Intermodal reportable segment. See additional discussion in Note 5, *Acquisitions and Long-Lived Assets*, to our Consolidated Financial Statements.

Environmental Protection and Community Support

At Forward Air, our mission is to create long-term value for our shareholders, customers and employees while having a positive impact on the communities in which we live and work. We strive to integrate social responsibility and environmental sustainability into every aspect of our strategy - from how we engage with employees and local communities to offering more sustainable products and services to customers. Our commitment to this mission requires us to adhere to a strong corporate governance program that includes policies and principles that integrate environmental, social and governance (“ESG”) matters into our broader risk management and strategic planning initiatives.

During 2019, the Board amended the Corporate Governance and Nominating Committee charter to reflect that the committee would review and discuss with management the Company’s (i) environmental, social and governance matters and (ii) management of sustainability-related risks, and these reviews and discussions occur at least quarterly. The Corporate Governance and Nominating Committee provides leadership and oversight of our ESG practices, including oversight of our policies and programs related to environmental sustainability, health and safety, diversity and inclusion, and charitable giving.

To facilitate our ESG initiatives, we appointed a head of Corporate ESG in the first quarter of 2020. We also have engaged a third-party to conduct an ESG materiality assessment during the first half of 2020. Our intent is to build upon this work to develop a more robust ESG strategy, institutionalize processes and begin to provide more public disclosure around activities and performance going forward. We are committed to making our presence count across the country.

Environmental Protection: We have already taken a variety of steps to improve the sustainability of our operations. For example, as a partner of the U.S. Environmental Protection Agency ("EPA") SmartWay program since 2008, Forward Air has continued to adopt new environmentally safe policies and innovations to improve fuel efficiency and reduce emissions. We actively seek to utilize equipment with reduced environmental impact. We utilize trailers with light weight composites and employ trailer skirts to decrease aerodynamic drag, both of which improve fuel efficiency. We are also increasing our use of electric forklifts and transitioning to automatic transmission tractors, which will decrease our fuel consumption.

Through vendor partnerships, we are implementing new solutions to manage waste and improve recycling across our facilities. Annually, we recycle tons of dunnage and thousands of aluminum load bars. Forward Air also participates in ReCaps, providing and purchasing recycled trailer tires. We also focus on increasing our landfill diversion rate through our partnership with Waste Harmonics.

Community Support: On Veteran’s Day 2019, Forward Air launched Operation: Forward Freedom - providing support to our Veterans primarily through partnering with Hope for the Warriors. Hope for the Warriors is a nonprofit organization that is dedicated to restoring a sense of self, family and hope to United States military veterans. This is an important cause for us as many of our employees, independent contractors, customers and vendors are or have a family member who is a military veteran. During the second quarter of 2020, as part of Operation: Forward Freedom, Forward Air allocated $10 million of its cash balances to a $249 billion U.S. Government money market fund through its account at Drexel Hamilton, a service-disabled veteran-owned and operated broker-dealer founded on the principal of offering meaningful employment opportunities to disabled veterans.

In addition, we are a corporate partner of Truckers Against Trafficking, a nonprofit organization that educates, equips, empowers and mobilizes members of the trucking and busing industries to combat human trafficking. In November 2019, we also joined Women in Trucking, which is a nonprofit organization, supporting and celebrating women in the trucking industry.

Table of Contents

Results from Operations

The following table sets forth our consolidated historical financial data from operations for the three months ended June 30, 2020 and 2019 (in millions):

	Three months ended			
	June 30, 2020	June 30, 2019 (As Adjusted)	Change	Percent Change
Operating revenue:				
Expedited Freight	$ 235.7	$ 253.3	$ (17.6)	(6.9)%
Intermodal	46.4	50.5	(4.1)	(8.1)
Eliminations and other operations	(0.4)	(0.9)	0.5	(55.6)
Operating revenue	281.7	302.9	(21.2)	(7.0)
Operating expenses:				
Purchased transportation	142.1	143.4	(1.3)	(0.9)
Salaries, wages, and employee benefits	63.8	63.8	—	—
Operating leases	17.4	16.1	1.3	8.1
Depreciation and amortization	9.4	9.2	0.2	2.2
Insurance and claims	7.7	11.8	(4.1)	(34.7)
Fuel expense	2.5	4.5	(2.0)	(44.4)
Other operating expenses	24.9	25.0	(0.1)	(0.4)
Total operating expenses	267.8	273.8	(6.0)	(2.2)
Income (loss) from continuing operations:				
Expedited Freight	11.8	28.2	(16.4)	(58.2)
Intermodal	4.4	5.2	(0.8)	(15.4)
Other operations	(2.3)	(4.3)	2.0	(46.5)
Income from continuing operations	13.9	29.1	(15.2)	(52.2)
Other expense:				
Interest expense	(1.2)	(0.6)	(0.6)	100.0
Total other expense	(1.2)	(0.6)	(0.6)	100.0
Income from continuing operations before income taxes	12.7	28.5	(15.8)	(55.4)
Income tax expense	3.5	7.3	(3.8)	(52.1)
Net income from continuing operations	9.2	21.2	(12.0)	(56.6)
(Loss) income from discontinued operations, net of tax	(6.0)	1.1	(7.1)	(645.5)
Net income and comprehensive income	$ 3.2	$ 22.3	$ (19.1)	(85.7)%

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

Revenues

Operating revenue decreased $21.2 million, or 7.0%, to $281.7 million for the three months ended June 30, 2020 compared to $302.9 million for the three months ended June 30, 2019. The decrease was primarily driven by our Expedited Freight segment of $17.6 million due to decreased network, truckload and other revenue, partially offset by increased final mile revenue in our Expedited Freight segment as discussed further below.

Operating Expenses

Operating expenses decreased $6.0 million, or 2.2%, to $267.8 million for the three months ended June 30, 2020 compared to $273.8 million for the three months ended June 30, 2019. The decrease was primarily driven by insurance and claims due to decreased vehicle claims reserves over the prior year.

Income from Continuing Operations and Segment Operations

Income from continuing operations decreased $15.2 million, or 52.2%, to $13.9 million for the three months ended June 30, 2020 compared to $29.1 million for the three months ended June 30, 2019. The decrease is primarily driven by the impact of COVID-19 on the Company's revenue. The results for our two reportable segments are discussed in detail in the following sections.

Interest Expense

Interest expense was $1.2 million for the three months ended June 30, 2020 compared to $0.6 million for the three months ended June 30, 2019. The increase in interest expense was attributable to additional borrowings on our revolving credit facility.

Income Taxes on a Continuing Basis

The combined federal and state effective tax rate on a continuing basis for the three months ended June 30, 2020 was 27.5% compared to a rate of 25.4% for the three months ended June 30, 2019. The higher effective tax rate for the three months ended June 30, 2020 was primarily due to decreased stock based compensation vesting and exercises when compared to the same period in 2019 and increased executive compensation as a percentage of income before income taxes, which was not deductible for income tax purposes.

(Loss) Income from Discontinued Operations, net of tax

Income from discontinued operations, net of tax decreased $7.1 million to a $6.0 million loss for the three months ended June 30, 2020 from $1.1 million of income for the three months ended June 30, 2019. Income from discontinued operations includes the Company's Pool business and, as discussed above, Pool's operations were negatively impacted by COVID-19 as many of its customers were affected by retail mall closures in response to stay-at-home orders. As a result, there was a sudden and significant decline in Pool's operating revenue, resulting in an operating loss for Pool during the three months ended June 30, 2020.

Net Income

As a result of the foregoing factors, net income decreased by $19.1 million, or 85.7%, to $3.2 million for the three months ended June 30, 2020 compared to $22.3 million for the three months ended June 30, 2019.

Expedited Freight - Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019

The following table sets forth the historical financial data of our Expedited Freight segment for the three months ended June 30, 2020 and 2019 (in millions):

Expedited Freight Segment Information
(In millions)
(Unaudited)

	Three months ended					
	June 30, 2020 [1]	**Percent of Revenue**	**June 30, 2019 (As Adjusted)**	**Percent of Revenue**	**Change**	**Percent Change**
Operating revenue:						
Network [2]	$ 134.2	56.9 %	$ 172.5	68.1 %	$ (38.3)	(22.2)%
Truckload	41.9	17.8	48.6	19.2	(6.7)	(13.8)
Final Mile	53.4	22.7	25.0	9.9	28.4	113.6
Other	6.2	2.6	7.2	2.8	(1.0)	(13.9)
Total operating revenue	235.7	100.0	253.3	100.0	(17.6)	(6.9)
Operating expenses:						
Purchased transportation	127.5	54.1	125.8	49.7	1.7	1.4
Salaries, wages and employee benefits	50.5	21.4	50.9	20.1	(0.4)	(0.8)
Operating leases	13.3	5.6	12.1	4.8	1.2	9.9
Depreciation and amortization	6.7	2.8	7.5	3.0	(0.8)	(10.7)
Insurance and claims	5.7	2.4	6.6	2.6	(0.9)	(13.6)
Fuel expense	1.4	0.6	2.7	1.1	(1.3)	(48.1)
Other operating expenses	18.8	8.0	19.5	7.7	(0.7)	(3.6)
Total operating expenses	223.9	95.0	225.1	88.9	(1.2)	(0.5)
Income from operations	$ 11.8	5.0 %	$ 28.2	11.1 %	$ (16.4)	(58.2)%

[1] Includes revenues and operating expenses from the acquisition of FSA and Linn Star, which were acquired in April 2019 and January 2020, respectively. FSA results are partially included in the prior period. Linn Star results are not included in the prior period.

[2] Network revenue is comprised of all revenue, including linehaul, pickup and/or delivery, and fuel surcharge revenue, excluding accessorial, Truckload and Final Mile revenue.

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

Expedited Freight Operating Statistics

	Three months ended		
	June 30, 2020	June 30, 2019 (As Adjusted)	Percent Change
Business days	64	64	— %
Tonnage [1,2]			
Total pounds	522,031	626,748	(16.7)
Pounds per day	8,157	9,793	(16.7)
Shipments [1,2]			
Total shipments	963	1,014	(5.0)
Shipments per day	15.0	15.8	(5.0)
Weight per shipment	542	618	(12.3)
Revenue per hundredweight [3]	$ 26.32	$ 27.39	(3.9)
Revenue per hundredweight, ex fuel [3]	$ 23.09	$ 22.91	0.8
Revenue per shipment [3]	$ 139	$ 171	(18.7)
Revenue per shipment, ex fuel [3]	$ 122	$ 144	(15.3)
Network revenue from door-to-door shipments as a percentage of network revenue [3,4]	49.9 %	39.9 %	25.1
Network gross margin [5]	50.6 %	55.8 %	(9.3)%

[1] In thousands

[2] Excludes accessorial, full Truckload and Final Mile products

[3] Includes intercompany revenue between the Network and Truckload revenue streams

[4] Door-to-door shipments include all shipments with a pickup and/or delivery

[5] Network revenue less Network purchased transportation as a percentage of Network revenue

Revenues

Expedited Freight operating revenue decreased $17.6 million, or 6.9%, to $235.7 million for the three months ended June 30, 2020 from $253.3 million for the three months ended June 30, 2019. The decrease was attributable to decreased network, truckload and other revenue, partially offset by increased final mile revenue. Network revenue decreased $38.3 million due to a 16.7% decrease in tonnage, a 5.0% decrease in shipments and a 3.9% decrease in revenue per hundredweight over prior year due to the impact of COVID-19, discussed above.

In addition, fuel surcharge revenue decreased $10.8 million, or 39.1%, due to declining fuel prices and decreased tonnage. Truckload revenue decreased by $6.7 million primarily due to a decrease in revenue per mile driven by rate pressures from both spot market and contract rate customers. Other revenue, which includes warehousing and terminal handling, decreased $1.0 million due to the lower linehaul tonnage and shipment counts. Conversely, final mile revenue increased $28.4 million primarily due to the acquisitions of FSA in April 2019 and Linn Star in January 2020.

Purchased Transportation

Expedited Freight purchased transportation increased $1.7 million, or 1.4%, to $127.5 million for the three months ended June 30, 2020 from $125.8 million for the three months ended June 30, 2019. Purchased transportation was 54.1% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 49.7% for the same period in 2019. Expedited Freight purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase in purchased transportation as a percentage of revenue was mostly due to an increase in final mile purchased transportation due to the acquisitions of FSA and Linn Star. This increase was partially offset by a 4.6% reduction in linehaul cost per mile due to increased utilization of owner-operators over more costly third-party transportation providers.

Salaries, Wages and Employee Benefits

Expedited Freight salaries, wages and employee benefits decreased $0.4 million, or 0.8%, to $50.5 million for the three months ended June 30, 2020 from $50.9 million for the three months ended June 30, 2019. Salaries, wages and employee benefits were 21.4% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 20.1% for the same period in 2019. The decrease in expense was primarily due to cost-control measures implemented in response to COVID-19 and was partially offset by a $4.6 million increase due to the acquisitions of FSA and Linn Star.

Operating Leases

Expedited Freight operating leases increased $1.2 million, or 9.9%, to $13.3 million for the three months ended June 30, 2020 from $12.1 million for the three months ended June 30, 2019. Operating leases were 5.6% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 4.8% for the same period in 2019. The increase in expense was due to an increase in facility leases mostly from additional facilities acquired from FSA and Linn Star.

Depreciation and Amortization

Expedited Freight depreciation and amortization decreased $0.8 million, or 10.7%, to $6.7 million for the three months ended June 30, 2020 from $7.5 million for the three months ended June 30, 2019. Depreciation and amortization was 2.8% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 3.0% for the same period in 2019. The decrease in expense was primarily due to a $1.7 million decrease in trailer depreciation for the three months ended June 30, 2020 compared to the same period in 2019 primarily related to extending the useful lives of its trailers from seven to ten years in the third quarter of 2019. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K. This decrease was partially offset by $0.7 million of increased amortization of acquired intangibles from the acquisitions of FSA and Linn Star.

Insurance and Claims

Expedited Freight insurance and claims decreased $0.9 million, or 13.6%, to $5.7 million for the three months ended June 30, 2020 from $6.6 million for the three months ended June 30, 2019. Insurance and claims were 2.4% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 2.6% for the same period in 2019. The decrease in expense was primarily attributable to a decrease in vehicle liability claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

Fuel Expense

Expedited Freight fuel expense decreased $1.3 million, or 48.1%, to $1.4 million for the three months ended June 30, 2020 from $2.7 million for the three months ended June 30, 2019. Fuel expense was 0.6% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 1.1% for the same period in 2019. Expedited Freight fuel expense decreased due to lower fuel prices and lower Company-employed driver miles.

Other Operating Expenses

Expedited Freight other operating expenses decreased $0.7 million, or 3.6%, to $18.8 million for the three months ended June 30, 2020 from $19.5 million for the three months ended June 30, 2019. Other operating expenses were 8.0% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 7.7% for the same period in 2019. Other operating expenses included equipment maintenance, terminal and office expenses, legal and professional fees and other over-the-road costs. These expenses primarily decreased due to a $2.1 million decrease in the earn-out liability from the FSA acquisition due to the timing of expected new customer wins and a $1.1 million decrease in travel related expenses. These decreases were partly offset by a $2.0 million increase in parts costs for final mile installations and a $0.7 million increase in bad debt reserves in part due to increased specific reserves related to customers negatively impacted by COVID-19.

Income from Operations

Expedited Freight income from operations decreased $16.4 million, or 58.2%, to $11.8 million for the three months ended June 30, 2020 compared to $28.2 million for the three months ended June 30, 2019. Income from operations was 5.0% of Expedited Freight operating revenue for the three months ended June 30, 2020 compared to 11.1% for the same period in 2019. The decrease in income from operations was primarily due to lower tonnage, shipments and revenue per hundredweight due to the impact of COVID-19. In addition, the decrease was due to additional costs from the acquisitions of FSA and Linn Star, as they continue to be integrated into the Expedited Freight segment. These margin deteriorations were partially offset by increased utilization of owner-operators over more costly third-party transportation providers.

Intermodal - Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019

The following table sets forth the historical financial data of our Intermodal segment for the three months ended June 30, 2020 and 2019 (in millions):

Intermodal Segment Information
(In millions)
(Unaudited)

	Three months ended					
	June 30, 2020 [1]	Percent of Revenue	June 30, 2019	Percent of Revenue	Change	Percent Change
Operating revenue	$ 46.4	100.0%	$ 50.5	100.0%	$ (4.1)	(8.1)%
Operating expenses:						
Purchased transportation	14.9	32.1	18.2	36.0	(3.3)	(18.1)
Salaries, wages and employee benefits	11.7	25.2	12.4	24.6	(0.7)	(5.6)
Operating leases	4.0	8.6	4.0	7.9	—	—
Depreciation and amortization	2.6	5.6	1.8	3.6	0.8	44.4
Insurance and claims	1.8	3.9	1.7	3.4	0.1	5.9
Fuel expense	1.1	2.4	1.7	3.4	(0.6)	(35.3)
Other operating expenses	5.9	12.7	5.5	10.9	0.4	7.3
Total operating expenses	42.0	90.5	45.3	89.7	(3.3)	(7.3)
Income from operations	$ 4.4	9.5%	$ 5.2	10.3%	$ (0.8)	(15.4)%

[1] Includes revenues and operating expenses from the acquisition of OST, which was acquired in July 2019 (and is not included in the prior period)

Intermodal Operating Statistics

	Three months ended		
	June 30, 2020	June 30, 2019	Percent Change
Drayage shipments	68,974	76,074	(9.3)%
Drayage revenue per shipment	$ 556	$ 571	(2.6)
Number of locations	24	21	14.3 %

Revenues

Intermodal operating revenue decreased $4.1 million, or 8.1%, to $46.4 million for the three months ended June 30, 2020 from $50.5 million for the three months ended June 30, 2019. The decrease in operating revenue was primarily attributable to a 9.3% decrease in drayage shipments over prior year primarily due to the impact of COVID-19, discussed above. The decrease in revenue from declining drayage shipments was partially offset by increased accessorial revenue.

Purchased Transportation

Intermodal purchased transportation decreased $3.3 million, or 18.1%, to $14.9 million for the three months ended June 30, 2020 from $18.2 million for the three months ended June 30, 2019. Purchased transportation was 32.1% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 36.0% for the same period in 2019. Intermodal purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in Intermodal purchased transportation as a percentage of revenue was due to operating efficiencies and increased accessorial revenue over the prior year.

Salaries, Wages and Employee Benefits

Intermodal salaries, wages and employee benefits decreased $0.7 million, or 5.6%, to $11.7 million for the three months ended June 30, 2020 compared to $12.4 million for the three months ended June 30, 2019. Salaries, wages and benefits were 25.2% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 24.6% for the same period in 2019. The decrease in expense was primarily due to cost-control measures in response to COVID-19.

Operating Leases

Intermodal operating leases remained unchanged for the three months ended June 30, 2020 compared to the three months ended June 30, 2019. Operating leases were 8.6% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 7.9% for the same period in 2019. The increase as a percentage of revenue was due to the decreased drayage volumes over the prior year.

Depreciation and Amortization

Intermodal depreciation and amortization increased $0.8 million, or 44.4%, to $2.6 million for the three months ended June 30, 2020 from $1.8 million for the three months ended June 30, 2019. Depreciation and amortization was 5.6% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 3.6% for the same period in 2019. The increase in depreciation and amortization was due to a $0.6 million increase in depreciation of equipment partly due to the equipment acquired from OST. The increase was also attributable to a $0.2 million increase in amortization of acquired intangibles.

Insurance and Claims

Intermodal insurance and claims increased $0.1 million, or 5.9%, to $1.8 million for the three months ended June 30, 2020 from $1.7 million for the three months ended June 30, 2019. Insurance and claims were 3.9% of Intermodal operating revenue for the three months ended June 30, 2020 and compared to 3.4% for the same period in 2019. The increase in Intermodal insurance and claims expense was primarily due to an increase in insurance premiums, partly offset by a decrease in claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

Fuel Expense

Intermodal fuel expense decreased $0.6 million, or 35.3%, to $1.1 million for the three months ended June 30, 2020 from $1.7 million for the three months ended June 30, 2019. Fuel expense was 2.4% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 3.4% for the same period in 2019. Intermodal fuel expense decreased due to lower fuel prices and lower Company-employed driver activity.

Other Operating Expenses

Intermodal other operating expenses increased $0.4 million, or 7.3%, to $5.9 million for the three months ended June 30, 2020 from $5.5 million for the three months ended June 30, 2019. Other operating expenses were 12.7% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 10.9% for the same period in 2019. The increase in Intermodal other operating expenses was primarily due to a $0.2 million increase in bad debt reserves in part due to increased specific reserves related to customers negatively impacted by COVID-19 and increased expenses to support the increased accessorial revenue noted above.

Income from Operations

Intermodal income from operations decreased $0.8 million, or 15.4%, to $4.4 million for the three months ended June 30, 2020 compared to $5.2 million for the three months ended June 30, 2019. Income from operations was 9.5% of Intermodal operating revenue for the three months ended June 30, 2020 compared to 10.3% for the same period in 2019. The deterioration in operating income was primarily attributable to increased bad debt reserves and losing leverage on fixed costs such as operating leases, depreciation and amortization due to the impact of COVID-19.

Other Operations - Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019

Other operating activity was a $2.3 million operating loss during the three months ended June 30, 2020 and a $4.3 million operating loss during the three months ended June 30, 2019. The three months ended June 30, 2020 included severance of $1.0 million and increased self-insurance reserves for vehicle claims of $0.6 million. The increase in self-insurance reserves were primarily due to increases to our loss development factors for prior quarter claims. The remaining loss was attributable to $0.3 million in share based compensation and $0.5 million of corporate costs previously allocated to the Pool Distribution segment that are not part of the discontinued operation. These costs represent corporate costs that will remain with the Company after the Pool Distribution business is divested.

The $4.3 million operating loss for the three months ended June 30, 2019 was primarily due to a $4.0 million vehicle claim reserve recorded in the second quarter of 2019 for pending vehicular claims, partly offset by decreases to our loss development factors for vehicle and workers' compensation claims of $0.5 million and $0.3 million, respectively. The remaining loss was attributed to $0.6 million in costs related to the CEO transition, including retention shares, and $0.5 million of corporate costs previously allocated to the Pool Distribution segment that are not part of the discontinued operation.

Results from Operations

The following table sets forth our consolidated historical financial data from operations for the six months ended June 30, 2020 and 2019 (in millions):

	Six months ended June 30,			
	2020	2019 (As Adjusted)	Change	Percent Change
Operating revenue:				
Expedited Freight	$ 489.3	$ 478.9	$ 10.4	2.2 %
Intermodal	98.9	104.6	(5.7)	(5.4)
Eliminations and other operations	(1.0)	(1.7)	0.7	(41.2)
Operating revenue	587.2	581.8	5.4	0.9
Operating expenses:				
Purchased transportation	292.7	276.0	16.7	6.1
Salaries, wages, and employee benefits	133.3	123.9	9.4	7.6
Operating leases	35.3	31.0	4.3	13.9
Depreciation and amortization	18.7	18.5	0.2	1.1
Insurance and claims	17.8	19.7	(1.9)	(9.6)
Fuel expense	6.5	8.5	(2.0)	(23.5)
Other operating expenses	53.2	51.4	1.8	3.5
Total operating expenses	557.5	529.0	28.5	5.4
Income (loss) from continuing operations:				
Expedited LTL	26.9	49.1	(22.2)	(45.2)
Intermodal	8.1	11.4	(3.3)	(28.9)
Other operations	(5.3)	(7.7)	2.4	(31.2)
Income from continuing operations	29.7	52.8	(23.1)	(43.8)
Other expense:				
Interest expense	(2.1)	(1.2)	(0.9)	75.0
Total other expense	(2.1)	(1.2)	(0.9)	75.0
Income from continuing operations before income taxes	27.6	51.6	(24.0)	(46.5)
Income tax expense	7.0	12.7	(5.7)	(44.9)
Net income from continuing operations	$ 20.6	$ 38.9	$ (18.3)	(47.0)
(Loss) income from discontinued operations, net of tax	(9.1)	1.8	(10.9)	(605.6)
Net income and comprehensive income	$ 11.5	$ 40.7	$ (29.2)	(71.7)%

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

Revenues

Operating revenue increased $5.4 million, or 0.9% to $587.2 million for the six months ended June 30, 2020 compared to $581.8 million for the six months ended June 30, 2019. The increase was primarily driven by our Expedited Freight segment of $10.4 million driven by final mile revenue from the acquisition of FSA in April 2019 and Linn Star in January 2020. Revenue increases associated with the final mile acquisitions were partially offset by decreased volumes due to COVID-19, which impacted each of the Company's segments, as further discussed below.

Operating Expenses

Operating expenses increased $28.5 million, or 5.4%, to $557.5 million for the six months ended June 30, 2020 compared to $529.0 million for the six months ended June 30, 2019. The increase was primarily driven by purchased transportation increases of $16.7 million and salaries, wages and employee benefits increases of $9.4 million. Purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and employee benefits. Purchased transportation expense increased due to increases for the Expedited Freight segment. These increases were mostly due to an increase in final mile purchased transportation due to the acquisitions of FSA and Linn Star. Salaries, wages and employee benefits increased primarily due to additional salaries from acquisitions and increased Company-employed drivers.

Income from Continuing Operations and Segment Operations

Income from continuing operations decreased $23.1 million, or 43.8%, to $29.7 million for the six months ended June 30, 2020 compared to $52.8 million for the six months ended June 30, 2019. The decrease is primarily driven by the impact of COVID-19 on the Company's volumes. The results for our two reportable segments are discussed in detail in the following sections.

Interest Expense

Interest expense was $2.1 million for the six months ended June 30, 2020 compared to $1.2 million for the six months ended June 30, 2019. The increase in interest expense was attributable to additional borrowings on our revolving credit facility.

Income Taxes on a Continuing Basis

The combined federal and state effective tax rate on a continuing basis for the six months ended June 30, 2020 was 25.3% compared to a rate of 24.6% for the six months ended June 30, 2019. The higher effective tax rate for the six months ended June 30, 2020 was primarily due to decreased stock based compensation vesting and exercises when compared to the same period in 2019 and increased executive compensation as a percentage of income before income taxes, which was not deductible for income tax purposes.

(Loss) Income from Discontinued Operations, net of tax

Income from discontinued operations, net of tax decreased $10.9 million to a $9.1 million loss for the six months ended June 30, 2020 from $1.8 million of income for the six months ended June 30, 2019. (Loss) income from discontinued operations includes the Company's Pool business and, as discussed above, Pool's operations were negatively impacted by COVID-19 as many of its customers were affected by retail mall closures in response to stay-at-home orders beginning in March 2020. As a result, there was a sudden and significant decline in Pool's operating revenue, resulting in an operating loss for Pool during the six months ended June 30, 2020.

Net Income

As a result of the foregoing factors, net income decreased by $29.2 million, or 71.7%, to $11.5 million for the six months ended June 30, 2020 compared to $40.7 million for the six months ended June 30, 2019.

Expedited Freight - Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019

The following table sets forth the historical financial data of our Expedited Freight segment for the six months ended June 30, 2020 and 2019 (in millions):

Expedited Freight Segment Information
(In millions)
(Unaudited)

	Six months ended					
	June 30, 2020 [1]	**Percent of Revenue**	**June 30, 2019 (As Adjusted)**	**Percent of Revenue**	**Change**	**Percent Change**
Operating revenue:						
Network [2]	$ 286.2	58.5%	$ 333.8	69.7%	$ (47.6)	(14.3)%
Truckload	89.4	18.3	96.3	20.1	(6.9)	(7.2)
Final Mile	101.2	20.7	34.7	7.2	66.5	191.6
Other	12.5	2.6	14.1	2.9	(1.6)	(11.3)
Total operating revenue	489.3	100.0	478.9	100.0	10.4	2.2
Operating expenses:						
Purchased transportation	260.3	53.2	240.6	50.2	19.7	8.2
Salaries, wages and employee benefits	106.0	21.7	96.7	20.2	9.3	9.6
Operating leases	26.9	5.5	23.2	4.8	3.7	15.9
Depreciation and amortization	13.4	2.7	14.9	3.1	(1.5)	(10.1)
Insurance and claims	12.4	2.5	11.6	2.4	0.8	6.9
Fuel expense	3.5	0.7	5.2	1.1	(1.7)	(32.7)
Other operating expenses	39.9	8.2	37.6	7.9	2.3	6.1
Total operating expenses	462.4	94.5	429.8	89.7	32.6	7.6
Income from operations	$ 26.9	5.5%	$ 49.1	10.3%	$ (22.2)	(45.2)%

[1] Includes revenues and operating expenses from the acquisition of FSA and Linn Star, which were acquired in April 2019 and January 2020, respectively. FSA results are partially included in the prior period. Linn Star results are not included in the prior period.

[2] Network revenue is comprised of all revenue, including linehaul, pickup and/or delivery, and fuel surcharge revenue, excluding accessorial, Truckload and Final Mile revenue

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K and in Note 14, *Segment Reporting*, to our Consolidated Financial Statements.

Expedited Freight Operating Statistics

	Six months ended		
	June 30, 2020	June 30, 2019 (As Adjusted)	Percent Change
Business days	128	127	0.8 %
Tonnage [1,2]			
Total pounds	1,091,987	1,223,388	(10.7)
Pounds per day	8,531	9,633	(11.4)
Shipments [1,2]			
Total shipments	1,849	1,944	(4.9)
Shipments per day	14.4	15.3	(5.6)
Weight per shipment	591	629	(6.0)
Revenue per hundredweight [3]	$ 26.76	$ 27.09	(1.2)
Revenue per hundredweight, ex fuel [3]	23.09	22.83	1.1
Revenue per shipment [3]	$ 155	173	(10.4)
Revenue per shipment, ex fuel [3]	133	146	(8.9)
Network revenue from door-to-door shipments as a percentage of network revenue [3,4]	46.9 %	39.1 %	19.9
Network gross margin [5]	52.1 %	55.1 %	(5.4)

[1] In thousands

[2] Excludes accessorial, full Truckload and Final Mile products

[3] Includes intercompany revenue between the Network and Truckload revenue streams

[4] Door-to-door shipments include all shipments with a pickup and/or delivery

[5] Network revenue less Network purchased transportation as a percentage of Network revenue

Revenues

Expedited Freight operating revenue increased $10.4 million, or 2.2%, to $489.3 million from $478.9 million for the six months ended June 30, 2020. The increase was due to increased final mile revenue of $66.5 million, partially offset by decreases in network, truckload and other revenue. Final mile revenue increased primarily due to the acquisition of FSA in April 2019 and Linn Star in January 2020. Network revenue decreased $47.6 million due to a 10.7% decrease in tonnage, a 4.9% decrease in shipments and a 1.2% decrease in revenue per hundredweight over prior year. The decrease in tonnage and shipments was primarily due to the impact of COVID-19, discussed above. The decrease in revenue per hundredweight was due to decreased shipment size and rates. In addition, fuel surcharge revenue decreased $10.8 million, or 39.1%, due to declining fuel prices and decreased tonnage. Truckload revenue decreased by $6.9 million primarily due to a decrease in revenue per mile driven by rate pressures from both spot market and contract rate customers. Other revenue, which includes warehousing and terminal handling, decreased $1.6 million due to the lower linehaul tonnage and shipment counts

Purchased Transportation

Expedited Freight purchased transportation increased $19.7 million, or 8.2%, to $260.3 million for the six months ended June 30, 2020 from $240.6 million for the six months ended June 30, 2019. Purchased transportation was 53.2% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 50.2% for the same period in 2019. Expedited Freight purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase in purchased transportation as a percentage of revenue was mostly due to an increase in final mile purchased transportation due to the acquisitions of FSA and Linn Star. This increase was partially offset by a 4.5% reduction in linehaul cost per mile due to increased utilization of owner-operators and Company-employed drivers over more costly third-party transportation providers.

Salaries, Wages, and Benefits

Expedited Freight salaries, wages and employee benefits increased by $9.3 million, or 9.6%, to $106.0 million for the six months ended June 30, 2020 from $96.7 million for the six months ended June 30, 2019. Salaries, wages and employee benefits were 21.7% of Expedited Freight's operating revenue for the six months ended June 30, 2020 compared to 20.2% for the same period in 2019. The increase in expense was primarily due to a $12.3 million increase due to the acquisitions of FSA and Linn Star. An additional $2.1 million increase was primarily related to credits for group health insurance premiums received in the prior year. These increases were partially offset by cost-control measures implemented in response to COVID-19.

Operating Leases

Expedited Freight operating leases increased $3.7 million, or 15.9%, to $26.9 million for the six months ended June 30, 2020 from $23.2 million for the six months ended June 30, 2019. Operating leases were 5.5% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 4.8% for the same period in 2019. The increase in expense was primarily due to a $3.3 million increase in facility leases mostly from additional facilities acquired from FSA and Linn Star and a $0.7 million increase in tractor rentals and leases to correspond with increased Company-employed driver usage. These increases were partially offset by a $0.2 million decrease in trailer rentals and leases, as old leases were replaced with purchased trailers.

Depreciation and Amortization

Expedited Freight depreciation and amortization decreased $1.5 million, or 10.1%, to $13.4 million for the six months ended June 30, 2020 from $14.9 million for the six months ended June 30, 2019. Depreciation and amortization was 2.7% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 3.1% for the same period in 2019. The decrease in expense was primarily due to a $3.4 million decrease in trailer depreciation for thesix months ended June 30, 2020 compared to the same period in 2019 primarily related to extending the useful lives of its trailers from seven to ten years in the third quarter of 2019. See additional discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K. This decrease was partially offset by $1.6 million of increased amortization of acquired intangibles from the acquisitions of FSA and Linn Star.

Insurance and Claims

Expedited Freight insurance and claims increased $0.8 million, or 6.9%, to $12.4 million for the six months ended June 30, 2020 from $11.6 million for the six months ended June 30, 2019. Insurance and claims were 2.5% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 2.4% for the same period in 2019. The increase in expense was primarily attributable to an increase in vehicle insurance premiums, offset by favorable claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

Fuel Expense

Expedited Freight fuel expense decreased $1.7 million, or 32.7%, to $3.5 million for the six months ended June 30, 2020 from $5.2 million for the six months ended June 30, 2019. Fuel expense was 0.7% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 1.1% for the same period in 2019. Expedited Freight fuel expenses decreased due to lower fuel prices.

Other Operating Expenses

Expedited Freight other operating expenses increased $2.3 million, or 6.1%, to $39.9 million for the six months ended June 30, 2020 from $37.6 million for the six months ended June 30, 2019. Other operating expenses were 8.2% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 7.9% for the same period in 2019. Other operating expenses included equipment maintenance, terminal and office expenses, legal and professional fees and other over-the-road costs. The increase in expense was primarily attributable to a $4.1 million increase in parts costs for final mile installations and increased terminal and office expenses due to the acquisitions of FSA and Linn Star. These increases were partly offset by a $2.6 million decrease in the earn-out liability from the FSA acquisition due to the timing of expected new customer wins.

Income from Operations

Expedited Freight income from operations decreased $22.2 million, or 45.2%, to $26.9 million for the six months ended June 30, 2020 compared to $49.1 million for the six months ended June 30, 2019. Income from operations was 5.5% of Expedited Freight operating revenue for the six months ended June 30, 2020 compared to 10.3% for the same period in 2019. The decrease in income from operations was primarily due to lower tonnage, shipments and revenue per hundredweight due to the impact of COVID-19. In addition, the decrease was due to additional costs from the acquisitions of FSA and Linn Star, as they continue to be integrated into the Expedited Freight segment. These margin deteriorations were partially offset by increased utilization of owner-operators over more costly third-party transportation providers.

Intermodal - Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019

The following table sets forth the historical financial data of our Intermodal segment for the six months ended June 30, 2020 and 2019 (in millions):

Intermodal Segment Information
(In millions)
(Unaudited)

	Six months ended					
	June 30, 2020 [1]	Percent of Revenue	June 30, 2019	Percent of Revenue	Change	Percent Change
Operating revenue	$ 98.9	100.0%	$ 104.6	100.0%	$ (5.7)	(5.4)%
Operating expenses:						
Purchased transportation	33.1	33.5	36.6	35.0	(3.5)	(9.6)
Salaries, wages and employee benefits	24.7	25.0	25.1	24.0	(0.4)	(1.6)
Operating leases	8.5	8.6	7.7	7.4	0.8	10.4
Depreciation and amortization	5.3	5.4	3.7	3.5	1.6	43.2
Insurance and claims	3.8	3.8	3.1	3.0	0.7	22.6
Fuel expense	3.0	3.0	3.4	3.3	(0.4)	(11.8)
Other operating expenses	12.4	12.5	13.6	13.0	(1.2)	(8.8)
Total operating expenses	90.8	91.8	93.2	89.1	(2.4)	(2.6)
Income from operations	$ 8.1	8.2%	$ 11.4	10.9%	$ (3.3)	(28.9)%

[1] Includes revenues and operating expenses from the acquisition of OST, which was acquired in July 2019 (and is not included in the prior period)

Intermodal Operating Statistics

	Six months ended		
	June 30, 2020	June 30, 2019	Percent Change
Drayage shipments	151,448	151,681	(0.2)%
Drayage revenue per shipment	$ 553	$ 598	(7.5)%
Number of locations	24	21	14.3 %

Revenues

Intermodal operating revenue decreased $5.7 million, or 5.4%, to $98.9 million for the six months ended June 30, 2020 from $104.6 million for the same period in 2019. The decrease in operating revenue was primarily attributable to a 7.5% decrease in drayage revenue per shipment over prior year due in part to $3.3 million of lower rail storage revenue, decreased fuel surcharge revenue due to lower fuel prices and a decrease in linehaul shipments. These decreases were partially offset by a $1.5 million increase from per diem revenue.

Purchased Transportation

Intermodal purchased transportation decreased $3.5 million, or 9.6%, to $33.1 million for the six months ended June 30, 2020 from $36.6 million for the six months ended June 30, 2019. Purchased transportation was 33.5% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 35.0% for the same period in 2019. Intermodal purchased transportation includes owner operators and third party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in Intermodal purchased transportation as a percentage of revenue was due to operating efficiencies and increased accessorial revenue over the prior year.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits decreased $0.4 million, or 1.6%, to $24.7 million for the six months ended June 30, 2020 compared to $25.1 million for the six months ended June 30, 2019. Salaries, wages and employee benefits were 25.0% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 24.0% for the same period in 2019.
The decrease in expense was primarily due to cost-control measures in response to COVID-19.

Operating Leases

Intermodal operating leases increased $0.8 million, or 10.4%, to $8.5 million for the six months ended June 30, 2020 from $7.7 million for the six months ended June 30, 2019. Operating leases were 8.6% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 7.4% for the same period in 2019. The increase in expense was primarily due to a $0.4 million increase in tractor rentals and leases to correspond with increased Company-employed driver usage. Facility leases also increased $0.3 million mostly from additional facilities acquired from OST.

Depreciation and Amortization

Intermodal depreciation and amortization increased $1.6 million, or 43.2%, to $5.3 million for the six months ended June 30, 2020 from $3.7 million for the six months ended June 30, 2019. Depreciation and amortization was 5.4% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 3.5% for the same period in 2019. The increase in depreciation and amortization was due to a $1.2 million increase in depreciation of equipment partly due to the equipment acquired from OST. The increase was also attributable to a $0.4 million increase in amortization of acquired intangibles.

Insurance and Claims

Intermodal insurance and claims increased $0.7 million, or 22.6%, to $3.8 million for the six months ended June 30, 2020 from $3.1 million for the six months ended June 30, 2019. Insurance and claims were 3.8% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 3.0% for the same period in 2019. The increase in Intermodal insurance and claims was primarily due to an increase in insurance premiums. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

Fuel Expense

Intermodal fuel expense decreased $0.4 million, or 11.8%, to $3.0 million for the six months ended June 30, 2020 from $3.4 million for the six months ended June 30, 2019. Fuel expense was 3.0% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 3.3% for the same period in 2019. Intermodal fuel expense decreased due to lower fuel prices.

Other Operating Expenses

Intermodal other operating expenses decreased $1.2 million, or 8.8%, to $12.4 million for the six months ended June 30, 2020 compared to $13.6 million for the six months ended June 30, 2019. Other operating expenses were 12.5% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 13.0% from the same period in 2019. The decrease in Intermodal other operating expenses was primarily due to strong cost controls and decreased per diem expenses, corresponding with the decrease in per diem revenue noted above. These decreases were slightly offset by a $0.2 million increase in bad debt reserves in part due to increased specific reserves related to customers negatively impacted by COVID-19

Income from Operations

Intermodal income from operations decreased by $3.3 million, or 28.9%, to $8.1 million for the six months ended June 30, 2020 compared to $11.4 million for the six months ended June 30, 2019. Income from operations was 8.2% of Intermodal operating revenue for the six months ended June 30, 2020 compared to 10.9% for the same period in 2019. The deterioration in operating income was primarily attributable to losing leverage on fixed costs such as salaries, wages and benefits, operating leases, depreciation and amortization and insurance due to the impact of COVID-19.

Other Operations - Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019

Other operating activity was a $5.3 million operating loss during the six months ended June 30, 2020 and a $7.7 million operating loss during the six months ended June 30, 2019. The six months ended June 30, 2020 included increased self-insurance reserves for vehicle and workers' compensation claims of $2.6 million and $0.5 million, respectively. These increases were primarily due to increases to our loss development factors for prior quarter claims. The remaining loss was primarily attributable to severance of $1.0 million, $0.5 million in share based compensation and $0.4 million of corporate costs previously allocated to the Pool Distribution segment that are not part of the discontinued operation. These costs represent corporate costs that will remain with the Company after the Pool Distribution business is divested.

The $7.7 million operating loss for the six months ended June 30, 2019 was primarily due to increased self-insurance reserves for vehicle and workers' compensation claims of $5.3 million and $0.2 million, respectively. The increase in vehicle liability reserves was primarily due to a $4.0 million vehicle claim reserve recorded in the second quarter of 2019 for pending vehicular claims. The remaining loss was attributed to $1.3 million in costs related to the CEO transition, including retention shares, and $0.8 million of corporate costs previously allocated to the Pool Distribution segment that are not part of the discontinued operation.

Critical Accounting Policies

Our unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”). The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. The Company’s critical accounting policies have not changed from those described under the caption “Discussion of Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our 2019 Annual Report on Form 10-K with the exception of the presentation of Pool's assets and liabilities as held for sale in the Consolidated Balance Sheets and Pool's results of operations presented as discontinued operations in the Consolidated Statements of Comprehensive Income. For further discussion on for sale and discontinued operations, see “Note 4, *Discontinued Operations and Held for Sale*.

Impact of Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which replaces the incurred loss methodology previously employed to measure credit losses for most financial assets and requires the use of a forward-looking expected loss model. Under current accounting guidance, credit losses are recognized when it is probable a loss has been incurred. The updated guidance will require financial assets to be measured at amortized costs less a reserve, equal to the net amount expected to be collected. This standard is effective for annual periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard as of January 1, 2020, which resulted in the Company revising its allowance for doubtful accounts policy on a prospective basis. The adoption of this standard did not have a material impact on the Company's financial statements. See Note 2, *Recent Accounting Pronouncements*, for additional discussion over this new standard.

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. As discussed above, we have assessed the impact of COVID-19 on our liquidity and ability to access capital. To improve our financial flexibility, we executed a $75 million amendment to increase this line on April 16, 2020. In addition, we have deferred payroll and federal and state income tax payments as allowed by the CARES Act, which resulted in an approximately $5 million cash flow benefit for the second quarter of 2020 and is expected to result in an approximately $12 million cash flow benefit for 2020. This includes cash flow benefits for the Company as a whole, including cash flows related to discontinued operations. Note that payroll taxes may be deferred for all of 2020, while federal and state income tax payments were only permitted to be deferred for the second quarter of 2020 and were due and payable on or before July 15, 2020. In addition, we took advantage of employee retention credits as allowed by the CARES Act of $0.8 million, which primarily benefited our discontinued operations.

As of June 30, 2020, the Company had $80.9 million in cash, which is approximately four times its target cash levels. As a result, we do not believe we have had significant limitations on accessing capital despite the current environment. Further, the Company is in compliance with all debt covenants as of June 30, 2020. In addition, the Company's accounts receivables are stable and there are no known collection issues from its key customers as of June 30, 2020. There are also no customer or vendor concentration risks for which the loss of the applicable relationship would have a significant impact to the Company's cash flows from operations. See additional discussion in Item 1A, *Risk Factors.*

Six Months Ended June 30, 2020 Cash Flows compared to Six Months Ended June 30, 2019 Cash Flows

Continuing Operations

Net cash provided by continuing operating activities was approximately $59.9 million for the six months ended June 30, 2020 compared to approximately $64.3 million for the six months ended June 30, 2019. The $4.3 million decrease in cash provided by continuing operating activities was mainly attributable to a $19.0 million decrease in continuing net earnings after consideration of non-cash items, partly offset by a $6.9 million improvement in the collection of receivables, a $5.2 million increase primarily due to the timing of prepaid insurance expense payments and a $1.8 million increase due to the timing of tax payments as discussed above.

Net cash used in continuing investing activities was approximately $69.2 million for the six months ended June 30, 2020 compared to approximately $40.2 million during the six months ended June 30, 2019. Continuing investing activities during the six months ended June 30, 2020 and 2019 included the acquisition of Linn Star for $55.9 million and FSA for $27.0 million, net of cash acquired, respectively. In addition the six months ended June 30, 2020 included net capital expenditures of $13.2 million, of which approximately $9.8 million related to an organic investment to expand the capacity of the Company's national hub in Columbus, Ohio (CMH), which the Company announced on July 27, 2020. The six months ended June 30, 2019 included net capital expenditures of $13.2 million primarily for new trailers, information technology and facility equipment. The proceeds from disposal of property and equipment during the six months ended June 30, 2020 and 2019 were primarily from sales of older tractors and trailers.

Net cash provided by continuing financing activities was approximately $25.4 million for the six months ended June 30, 2020 compared to net cash used in continuing financing activities of $34.9 million for the six months ended June 30, 2019. The $60.3 million increase in cash provided by continuing financing activities was attributable to a $55.0 million increase in borrowings on the revolving credit facility and a $23.4 million decrease in the repurchase of common stock. These increases are partly offset by a $10.7 million increase in distributions to a subsidiary (Pool Distribution), the $5.3 million payment on the FSA earn-out and a $1.8 million decrease in proceeds from share-based award activity.

Discontinued Operations

Net cash used in discontinued operating activities was approximately $4.7 million for the six months ended June 30, 2020 compared to net cash provided by discontinued operating activities was approximately $7.5 million for the six months ended June 30, 2019. The $12.2 million decrease in cash provided by discontinued operating activities was primarily attributable to a decrease in discontinued net earnings after consideration of non-cash items.

Net cash used in discontinued investing activities was approximately $0.6 million for the six months ended June 30, 2020 compared to approximately $2.1 million during the six months ended June 30, 2019 due to changes in net capital expenditures primarily for trailers and facility equipment. Proceeds from disposal of property and equipment during the six months ended June 30, 2020 and 2019 were primarily from sales of older tractors and trailers.

Net cash provided by discontinued financing activities was approximately$5.3 million for the six months ended June 30, 2020 compared to net cash used in discontinued financing activities of $5.4 million for the six months ended June 30, 2019. The $10.7 million increase in cash provided by discontinued financing activities was attributable to contributions from a subsidiary as discussed above.

Credit Facility

See Note 7, *Senior Credit Facility*, to our Consolidated Financial Statements for a discussion of the senior credit facility.

Share Repurchases

See Note 12, *Shareholders' Equity*, to our Consolidated Financial Statements for a discussion of our share repurchases and dividends during the period.

Forward-Looking Statements

This report contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. In this Form 10-Q, forward-looking statements include, but are not limited to, any statements regarding the impact of the COVID-19 pandemic on our business, results of operations and financial condition, including the impacts on our LTL, Intermodal and Pool businesses, our ability to emerge as a stronger LTL competitor, our pursuit of new revenue opportunities and steps to bolster our liquidity; any projections of earnings, revenues, dividends, or other financial items or methods of interpretation or measurement; any statements of plans, strategies, and objectives of management for future operations, including, without limitation, future plans for the divesture of our Pool business; any statements regarding future performance; any statements regarding future insurance, claims and litigation and any associated estimates or projections; any statements concerning proposed or intended new services or developments and related integration costs; any statements regarding intended expansion through acquisition or greenfield start-ups; any statements regarding future economic conditions or performance based on our business strategy, including acquisitions; any statements related to our ESG and sustainability initiatives and operations; any statements regarding certain tax and accounting matters, including the impact on our financial statements; 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 impact of the COVID-19 pandemic on our business, results of operations and financial condition, the creditworthiness of our customers and their ability to pay for services rendered, more limited liquidity than expected which limits our ability to make key investments, 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, insurance matters, the handling of hazardous materials and the risks described in our Annual Report on Form 10-K for the year ended December 31, 2019. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to market risk related to our outstanding debt is not significant and has not changed materially from the information provided in our 2019 Form 10-K.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

Changes in Internal Control

During the three months ended June 30, 2020, as part of the preparation of the discontinued operations and held for sale presentation in the consolidated financial statements, the Company implemented changes to internal controls to meet the related reporting and disclosure requirements. Management believes that these controls were effective as of June 30, 2020. There were no other changes in our internal control over financial reporting during thesix months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

Our business faces many risks and uncertainties that we cannot control. The risk factors described in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as revised below, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and in our other filings with the SEC, in connection with evaluating the Company, our business, and the forward-looking statements contained in this Quarterly Report on Form 10-Q. Other risks that we do not presently know about or that we presently believe are not material could also adversely affect us.

The risk factor described below updates the risk factors disclosed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, to include additional information.

The ongoing coronavirus outbreak, and measures taken in response thereto, could continue to have a material adverse effect on our business, results of operations and financial condition.

Our business is highly susceptible to changes in economic conditions. Our products and services are directly tied to the production and sale of goods and, more generally, to the North American economy. The COVID-19 pandemic has adversely impacted economic activity and conditions worldwide and created significant volatility and disruption to financial markets. Efforts to control the spread of COVID-19 have led governments and other authorities to impose restrictions which have resulted in business closures and disrupted supply chains worldwide. As a result, transportation and supply chain companies such as ours have experienced slowdowns and reduced demand, and could continue to further negatively impact our business.

Furthermore, quarantines, shelter in place orders, labor shortages due to illness and otherwise, business and facility closures or other disruptions to our operations, or our customers' operations, have also adversely impacted demand for our services and our ability to provide services to our customers. We have seen deterioration in volumes across all of our segments given that the freight we move is typically not considered "essential" under current regulatory orders. Further or extended stay at home orders or closures could have a material negative impact on our revenues and earnings. If demand for our services increases and we are unable to hire qualified personnel due to labor shortages and other impacts of the COVID-19 outbreak, we would be unable to fulfill the increased demand for our services which could negatively impact our ability to increase revenue, cause harm to our reputation and have a material adverse impact on our operating results.

The extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity and impact of the COVID-19 outbreak, the effects of the outbreak on our customers and suppliers and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. In particular, the continued spread of COVID-19 and efforts to contain the virus could:

- continue to impact customer demand of the Company's transportation services;
- cause the Company to experience an increase in costs as a result of the Company's emergency measures, delayed payments from customers and uncollectable accounts;
- cause delays and disruptions in the supply chain resulting in disruptions in the commercial operation dates of certain projects; and
- cause other unpredictable events.

In addition, our results of operations may be materially affected by conditions in the credit and financial markets. Global credit and financial markets have experienced extreme volatility and disruptions as a result of COVID-19 including diminished liquidity and credit availability. Failure by us or our customers to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon current or expected investments. In the event of a prolonged significant economic downturn which has a material negative impact on our earnings and free cash flow, we may not be able to comply with our financial covenant in our global revolving credit facility which, in the absence of a bank waiver, would negatively impact our ability to borrow under that facility and our liquidity position.

The situation surrounding COVID-19 remains fluid. Even after the COVID-19 outbreak has subsided, we may continue to experience materially adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future, and the potential for a material impact on the Company's results of operations, financial condition, and liquidity increases the longer the virus impacts activity levels in the United States and globally. For this reason, we cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on the Company's results of operations, financial position, and liquidity. The extent to which the COVID-19 pandemic may impact the Company's business, operating results, financial condition, or liquidity will depend on future developments, including the duration of the outbreak, travel restrictions, business and workforce disruptions, and the effectiveness of actions taken to contain and treat the disease.

We periodically evaluate factors including but not limited to macroeconomic conditions, changes in our industry and the markets in which we operate and our market capitalization, as well as our reporting units' expected future financial performance for purposes of evaluating asset impairments, including goodwill. We believe that the impact of COVID-19 will negatively affect certain key assumptions used in our analysis; however, we will need to assess the severity and nature of the long-term impacts to determine if we may be required to record charges for asset impairments in the future. At this time, it remains uncertain whether and to what extent we will need to record charges for impairments as a result of the recent and ongoing COVID-19 outbreak.

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

Issuer Purchases of Equity Securities

Information regarding repurchases of our shares during the second quarter of 2020 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1-30, 2020	—	$ —	—	3,886,950
May 1-31, 2020	—	—	—	3,886,950
June 1-30, 2020	—	—	—	3,886,950
Total	—	$ —	—	3,886,950

(1) On February 5, 2019, the Board of Directors canceled the Company's remaining 2016 share repurchase authorization and approved a share repurchase authorization for up to 5.0 million shares of the Company's common shares that shall remain in effect until such time as the shares authorized for repurchase are exhausted or until earlier terminated.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On July 28, 2020, the Company entered into an amended and restated consulting agreement with Matthew J. Jewell, one of its former executive officers, effective July 1, 2020 through December 31, 2020 unless earlier terminated (the "Consulting Agreement"). The Consulting Agreement amended and restated, in its entirety, a consulting agreement between Mr. Jewell and the Company dated June 14, 2020. The Consulting Agreement is automatically renewed for successive 30-day periods unless (i) either party provides written notice of non-renewal at least five days prior to the end of the expiring term or (ii) the Consulting Agreement has been earlier terminated. Pursuant to the Consulting Agreement, Mr. Jewell will provide certain consulting services to the Company and will receive a monthly fee of $20,000. Additionally, the Company will pay Mr. Jewell an acquisition fee in accordance with the terms and conditions set forth in the Consulting Agreement. Mr. Jewell will continue to be subject to the restrictive covenants set forth in his existing Participation and Restrictive Covenants Agreement, dated May 31, 2019, until the later of (i) June 30, 2021 or (ii) six months following the end of the consulting period. Pursuant to the Consulting Agreement, the time period for Mr. Jewell to exercise his vested stock options shall extend to the earlier of (i) the termination of the Consulting Agreement or (ii) the original term of each vested stock option as provided in the applicable stock option agreement; provided, however, that in no event will the exercise period for any vested stock option expire prior to September 28, 2020.

Item 6. Exhibits.

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

No.	Exhibit
3.1	Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490))
3.2	Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K filed with the Commission on July 31, 2017 (File No. 0-22490))
10.1	First Amendment dated April 16, 2020 to Credit Agreement dated September 29, 2017 by and among Forward Air Corporation and Forward Air, Inc., as borrowers, certain subsidiaries of the borrowers as guarantors, Bank of America, N.A., as administrative agent and lender, U.S. Bank National Association, as lender, and the other lenders party thereto (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 May 1, 2020 (File No. 0-22490))
10.2	Amended and Restated Consulting Agreement effective July 28, 2020, between Forward Air Corporation and Matthew J. Jewell
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive File (formatted in Inline XBRL and contained in Exhibit 101).

Signatures

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

		Forward Air Corporation
Date: July 31, 2020	By:	/s/ Michael J. Morris
		Michael J. Morris Chief Financial Officer and Treasurer (Principal Financial Officer and Duly Authorized Officer)
		Forward Air Corporation
Date: July 31, 2020	By:	/s/ Christina W. Bottomley
		Christina W. Bottomley Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer and Duly Authorized Officer)

July 28, 2020

<u>**VIA EMAIL (mattjjewell@gmail.com)**</u>

Matthew J. Jewell
823 Clifton Road
Atlanta, Georgia 30307

Dear Matt:

This amended and restated letter agreement (this "**Consulting Agreement**") sets forth the terms and conditions whereby Matthew J. Jewell ("**Consultant**" or "**you**") agrees to provide certain services (as described on **Schedule 1**) to Forward Air, Inc., with offices located at 1915 Snapps Ferry Road, Bldg. N, Greeneville, TN 37745, a Tennessee corporation, and all of its affiliated companies (collectively, the "**Company**").

RECITALS

WHEREAS, Consultant served the Company for approximately 18 years in various capacities, most recently as the Company's Chief Commercial Officer;

WHEREAS, on June 30, 2020, Consultant transitioned out of his role as the Company's Chief Commercial Officer and his employment with the Company terminated (the "**Employment End Date**");

WHEREAS, on June 12, 2020, Consultant and the Company executed a Consulting Agreement in order to retain Consultant's experience and expertise pertaining to mergers, acquisitions and business development following the Employment End Date (the "**June Consulting Agreement**"); and

WHEREAS, Consultant and the Company desire to amend and restate the Consulting Agreement in its entirety upon the terms and conditions set forth herein.

NOW, **THEREFORE**, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Consultant and the Company hereby agree that the June Consulting Agreement is hereby amended, modified, superseded and restated in its entirety by this Consulting Agreement.

1. <u>SERVICES</u>.

1.1 The Company hereby engages you, and you hereby accept such engagement, as an independent contractor to provide certain services to the Company on the terms and conditions set forth in this Agreement.

1.2 You shall provide to the Company the services set forth on Schedule 1 attached hereto and made a part hereof (the "**Services**").

1.3 The Company shall not control the manner or means by which you perform the Services, including but not limited to the time and place you perform the Services.

1.4 Unless otherwise set forth in Schedule 1, you shall furnish, at your own expense, the equipment, supplies, and other materials used to perform the Services. The Company shall provide you with access to its premises to the extent necessary for the performance of the Services.

1.5 While on the Company's premises or using the Company's equipment, you shall comply with all applicable policies of the Company relating to business and office conduct, health and safety, and use of the Company's facilities, supplies, information technology, equipment, networks and other resources.

2. TERM. The term of this Agreement shall commence on July 1, 2020 (the "**Effective Date**") and shall continue for a period of six (6) months unless earlier terminated in accordance with Section 10 (the "**Initial Term**"). Upon expiration of the Initial Term or any Renewal Term (as defined below), this Agreement shall automatically renew for an additional thirty (30) day term (each a "**Renewal Term**" and, together with the Initial Term, the "**Term**") unless either you or the Company (each referred to individually as a "**Party**" and collectively as the "**Parties**") provides written notice of nonrenewal at least five (5) days prior to the end of the then-current Term, or unless sooner terminated as provided in Section 10. If the Initial Term is renewed for any Renewal Terms pursuant to this Section, the terms and conditions of this Agreement during each such Renewal Term shall be the same as the terms and conditions in effect immediately prior to such renewal, subject to any change in the fees payable hereunder by the Company during the applicable Renewal Term agreed upon by the Parties. If either Party provides timely notice of its intent not to renew this Agreement, then, unless otherwise sooner terminated in accordance with its terms, this Agreement shall terminate on the expiration of the then-current Term.

3. FEES AND EXPENSES.

3.1 As full compensation for the Services and the rights granted to the Company in this Agreement, the Company shall pay you $20,000 per month. Additionally, the Company will pay you an Acquisition Fee, based on and in accordance with Schedule 2 attached hereto and made a part hereof. You acknowledge that you will receive an IRS Form 1099-MISC from the Company, and that you shall be solely responsible for all federal, state, and local taxes, as set out in Section 4.2.

3.2 You shall be entitled to reimbursement from the Company for all reasonable and documented "out-of-pocket" expenses related to travel and materials needed to perform the Services under this Agreement, provided that any single expense item in excess of $1,000 or monthly expense in excess of $3,000 in the aggregate shall require pre-approval by the Company, and Consultant shall provide appropriate documentation of all expenses. The determination of what expenses are "reasonable" is reserved to the Company's sole discretion.

3.3 The Company and Consultant agree that as of the Employment End Date, Consultant held the vested stock options listed in Exhibit A (the "**Vested Stock Options**") pursuant to certain Nonqualified Stock Option Agreements (the "**Stock Option Agreements**"), by and between the Company and the Consultant as identified in Exhibit A. Consultant acknowledges that pursuant to the terms of the Stock Option Agreements, on the Employment End Date, all of his unvested options were forfeited. The Company and Consultant acknowledge and agree that, notwithstanding the terms of the Stock Option Agreements, the time period for exercising the Vested Stock Options shall extend to the earlier to occur of: (i) the termination the Consulting Agreement, or (ii) the original term of each Vested Stock Option as provided in the applicable Stock Option Agreement; provided, however, that in no event will the exercise period for any Vested Stock Option expire prior to September 28, 2020. This Section 3.3 shall be deemed to amend each Stock Option Agreement and to satisfy the requirements to amend each such Stock Option Agreement set forth in Section 18 or Section 20 thereof, as applicable.

3.4 The Company shall pay the fees and expenses set forth in Sections 3.1 and 3.2 above (other than the Acquisition Fee), to the extent due and undisputed, within thirty (30) days after the Company's receipt of an invoice submitted by you to the Company's Chief Legal Officer, Michael L. Hance, sent via e-mail to: mhance@forwardair.com. Each invoice must be submitted monthly for the prior month's work. The Acquisition Fee shall be paid in accordance with the terms and conditions set forth in Schedule 2.

3.5 Additional fees and expenses beyond those identified in Sections 3.1 and 3.2, if any, must be mutually agreed to in writing by the Parties.

4. RELATIONSHIP OF THE PARTIES.

4.1 You are an independent contractor of the Company, and this Agreement shall not be construed to create any association, partnership, joint venture, employment or agency relationship between you and the Company for any purpose. You have no authority (and shall not hold yourself out as having authority) to bind the Company and you shall not make any agreements or representations on the Company's behalf without the Company's prior written consent.

4.2 Without limiting Section 4.1, you will not be eligible to participate in any vacation, group medical or life insurance, disability, profit sharing or retirement benefits, or any other fringe benefits or benefit plans offered by the Company to its employees, and the Company will not be responsible for withholding or paying any income, payroll, Social Security, or other federal, state or local taxes, making any insurance contributions, including for unemployment or disability, or obtaining workers' compensation insurance on your behalf. You shall be responsible for, and shall indemnify the Company against, all such taxes or contributions, including penalties and interest. Any persons employed or engaged by you in connection with the performance of the Services shall be your employees or contractors and you shall be fully responsible for them and indemnify the Company against any claims made by or on behalf of any such employee or contractor.

5. INTELLECTUAL PROPERTY RIGHTS.

5.1 The Company is and will be the sole and exclusive owner of all right, title, and interest throughout the world in and to all the results and proceeds of the Services performed under this Agreement, including but not limited to the deliverables set out on Schedule 1 (collectively, the "**Deliverables**") and all other writings, technology, inventions, discoveries, processes, techniques, methods, ideas, concepts, research, proposals and materials, and all other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, modified, conceived or reduced to practice in the course of performing the Services or other work performed in connection with the Services or this Agreement (collectively, and including the Deliverables, "**Work Product**"), including all patents, copyrights, trademarks (together with the goodwill symbolized thereby), trade secrets, know-how, other confidential or proprietary information and other intellectual property rights (collectively, "**Intellectual Property Rights**") therein. You agree that the Work Product is hereby deemed "work made for hire" as defined in 17 U.S.C. § 101 for the Company and all copyrights therein automatically and immediately vest in the Company. If, for any reason, any Work Product does not constitute "work made for hire," you hereby irrevocably assign to the Company, for no additional consideration, your entire right, title, and interest throughout the world in and to such Work Product, including all Intellectual Property Rights therein, including the right to sue for past, present, and future infringement, misappropriation, or dilution thereof.

5.2 To the extent any copyrights are assigned under Section 5.1, you hereby irrevocably waive in favor of the Company, to the extent permitted by applicable Law, any and all claims you may now or hereafter have in any jurisdiction to all rights of paternity or attribution, integrity, disclosure, and withdrawal and any other rights that may be known as "moral rights" in relation to all Work Product to which the assigned copyrights apply.

5.3 Upon the request of the Company, during and after the Term, you shall promptly take such further actions, including execution and delivery of all appropriate instruments of conveyance, and provide such further cooperation, as may be reasonably necessary to assist the Company to apply for, prosecute, register, maintain, perfect, record, or enforce its rights in any Work Product and all Intellectual Property Rights therein. In the event the Company is unable, after reasonable effort, to obtain your signature on any such documents, you hereby irrevocably designate and appoint the Company as your agent and attorney-in-fact, to act for and on your behalf solely to execute and file any such application or other document and do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or other intellectual property protection related to the Work Product with the same legal force and effect as if you had executed them. You agree that this power of attorney is coupled with an interest.

5.4 Notwithstanding Section 5.1, to the extent that any of your pre-existing materials are incorporated in or combined with any Deliverable, you hereby grant to the Company an irrevocable, worldwide, perpetual, royalty-free, non-exclusive license to use, publish, reproduce, perform, display, distribute copies of, prepare derivative works based upon, make, have made, sell, offer to sell, import and otherwise exploit such preexisting materials and derivative works thereof. The Company may assign, transfer and sublicense such rights to others without your approval.

5.5 As between you and the Company, the Company is, and will remain, the sole and exclusive owner of all right, title, and interest in and to any documents, specifications, data, know-how, methodologies, software and other materials provided to you by the Company ("**Company Materials**"), including all Intellectual Property Rights therein. You have no right or license to use, publish, reproduce, prepare derivative works based upon, distribute, perform or display any Company Materials except solely during the Term to the extent necessary to perform your obligations under this Agreement. All other rights in and to the Company Materials are expressly reserved by the Company. You have no right or license to use the Company's trademarks, service marks, trade names, logos, symbols, or brand names.

5.6 You shall require each of your employees and contractors to execute written agreements containing obligations of confidentiality and non-use and assignment of inventions and other work product consistent with the provisions of this Section 5 prior to such employee or contractor providing any Services under this Agreement.

6. CONFIDENTIALITY.

6.1 You acknowledge that you will have access to information that is treated as confidential and proprietary by the Company, including without limitation trade secrets, and companies identified as prospects for acquisition by the Company, information pertaining to business operations and strategies, customers, pricing, marketing, finances, sourcing, personnel or operations of the Company, its suppliers or customers or its acquisition prospects, in each case whether spoken, written, printed, electronic, or in any other form or medium (collectively, the "**Confidential Information**"). Any Confidential Information that you develop in connection with the Services, including but not limited to any Work Product, shall be subject to the terms and conditions of this Section 6. You agree to treat all Confidential Information as strictly confidential. Without the prior written consent of the Company, you agree not to disclose Confidential Information or permit it to be disclosed, in whole or part, to any third party, and not to use any Confidential Information for any purpose except in furtherance of the performance of the Services. You shall notify the Company immediately in the event you become aware of any loss or disclosure of any Confidential Information.

6.2 Confidential Information shall not include information that:

(a) is or becomes generally available to the public other than through your breach of this Agreement; or

(b) is communicated to you by a third party that had no confidentiality obligations with respect to such information.

6.3 Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. You agree to provide written notice of any such order to an authorized officer of the Company within ten (10) days of receiving such order, but in any event sufficiently in advance of making any disclosure to permit the Company to contest the order or seek confidentiality protections, as determined in the Company's sole discretion.

6.4 Notice of Immunity Under the Defend Trade Secrets Act of 2016 ("**DTSA**"). Notwithstanding any other provision of this Agreement:

(a) You will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(i) is made: (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(b) If you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the Company's trade secrets to your attorney and use the trade secret information in the court proceeding if you:

(i) file any document containing the trade secret under seal; and

(ii) do not disclose the trade secret, except pursuant to court order.

7. <u>REPRESENTATIONS AND WARRANTIES</u>.

7.1 You represent and warrant to the Company that:

(a) you have the right to enter into this Agreement, to grant the rights granted herein, and to perform fully all of your obligations in this Agreement;

(b) your entering into this Agreement with the Company and your performance of the Services do not and will not conflict with or result in any breach or default under any other agreement to which you are subject;

(c) you have the required skill, experience, and qualifications to perform the Services, you shall perform the Services in a professional and workmanlike manner in accordance with generally recognized industry standards for similar services, and you shall devote sufficient resources to ensure that the Services are performed in a timely and reliable manner;

(d) you shall perform the Services in compliance with all applicable federal, state, and local laws and regulations;

(e) the Company will receive good and valid title to all Work Product, free and clear of all encumbrances and liens of any kind;

(f) all Work Product is and shall be your original work (except for material in the public domain or provided by the Company) and, to the best of your knowledge, does not and will not violate or infringe upon the intellectual property rights or any other right whatsoever of any person, firm, corporation or other entity.

7.2 The Company hereby represents and warrants to you that:

(a) it has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder; and

(b) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary corporate action.

8. <u>INDEMNIFICATION</u>.

8.1 You shall defend, indemnify and hold harmless the Company and its affiliates and their officers, directors, employees, agents, successors and assigns from and against all losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs and expenses of whatever kind (including reasonable attorneys' fees) arising out of or resulting from:

(a) bodily injury, death of any person or damage to real or tangible personal property resulting from your acts or omissions; or

(b) your breach of any representation, warranty or obligation under this Agreement.

8.2 The Company may satisfy such indemnity (in whole or in part) by way of deduction from any payment due to you.

8.3 The Company shall defend, indemnify and hold harmless You and your affiliates and their officers, directors, employees, agents, successors and assigns from and against all losses, damages, liabilities, deficiencies, actions, judgments, interest, awards, penalties, fines, costs and expenses of whatever kind (including reasonable attorneys' fees) arising out of or resulting from:

(a) Consultant's discharge of his obligations under this Consulting Agreement and performance of the Services, except to the extent arising from actions or inactions for which the Company is entitled to indemnity pursuant to Section 8.1 above; or

(b) the Company's completion of a Transaction (as defined in Schedule 2) or an acquisition of a Prospect (as defined in Schedule 1),

in each case, except to the extent arising as a direct result of Consultant's willful misconduct or gross negligence (other than an action or failure to act undertaken or refrained from being undertaken at the written or express request of or with the written or express consent of the Company).

9. SCOPE OF SERVICES.

9.1 Consultant and the Company acknowledge and agree that the Company is a sophisticated business enterprise with competent internal financial advisors and legal counsel, and the Company has retained Consultant for the limited purposes set forth in this Consulting Agreement. Consultant and the Company acknowledge and agree that (i) Consultant will not be providing investment banking or financial advice to the Company and (ii) the Company's engagement of Consultant is as an independent contractor and that the Parties' respective rights and obligations as set forth in this Consulting Agreement are contractual in nature. Accordingly, the Company disclaims any intention to impose any fiduciary or agency obligations on Consultant by virtue of the engagement contemplated by this Consulting Agreement, and Consultant shall not be deemed to have any fiduciary or agency duties or obligations to the Company, its subsidiaries, any Prospect or Candidate (as defined in Schedule 2), any other person or entity, or their respective officers, directors, securityholders, affiliates or creditors, as a result of this Consulting Agreement or the Services.

9.2 Consistent with the foregoing, the Company will hold Consultant, his affiliates and their respective officers, directors, employees, agents, successors and assigns harmless against any damages, fees, costs, losses, claims, and/or damages sustained by the Company related to its evaluation of or transactions involving any Prospect, except in cases of gross negligence or willful misconduct by Consultant.

10. TERMINATION.

10.1 You or the Company may terminate this Agreement without cause upon thirty (30) business days' written notice to the other Party. In the event of termination pursuant to this clause, the Company shall pay you on a pro-rata basis any fees then due and payable under Section 3 for any Services completed up to and including the date of such termination. Additionally, the Company will remain liable for, and will timely pay, any Acquisition Fees that become due and payable following termination of this Agreement pursuant to and in accordance with Schedule 2.

10.2 You or the Company may terminate this Agreement, effective immediately upon written notice to the other party to this Agreement, if the other party materially breaches this Agreement, and such breach is incapable of cure, or, with respect to a material breach capable of cure, the other party does not cure such breach within ten (10) business days after receipt of written notice of such breach.

10.3 Upon expiration or termination of this Agreement for any reason, or at any other time upon the Company's written request, you shall within five (5) business days after such expiration or termination:

(a) deliver to the Company all Deliverables (whether complete or incomplete) and all hardware, software, tools, equipment and other materials provided for your use by the Company;

(b) deliver to the Company all tangible documents and materials (and any copies) containing, reflecting, incorporating or based on the Confidential Information;

(c) permanently erase all of the Confidential Information from your computer systems and other electronic devices; and

(d) certify in writing to the Company that you have complied with the requirements of this clause.

10.4 The terms and conditions of Section 4, Section 5, Section 6, Section 7, Section 8, Section 10, Section 13, Section 14 and Section 15 shall survive the expiration or termination of this Agreement.

11. INTENTIONALLY LEFT BLANK.

12. RESTRICTIVE COVENANTS.

12.1 Consultant acknowledges and agrees that he is bound by the restrictions set forth in that certain Participation and Restrictive Covenants Agreement dated May 31, 2019 (the "**Restrictive Covenants Agreement**") between Consultant and the Company. The parties agree that, as of the Effective Date, the term "Restricted Period" as used in Sections 4, 5 and 6 of the Restrictive Covenants Agreement is hereby amended in each case to apply for the longer of (a) 365 days after the end of Consultant's employment with the Company and (b) the duration of the Term of this Agreement and for six months thereafter.

12.2 EXCLUSIVITY OF CANDIDATES. During the Term and for a period of 365 days following the end of the Term, without the prior written consent of the Company, Consultant shall not, and shall not authorize or permit any of his representatives to, directly or indirectly: (a) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (b) enter into discussions or negotiations with, or provide any information to, any individual, corporation, limited liability company, partnership, joint venture, association, unincorporated organization or other entity ("**Person**") concerning a possible Acquisition Proposal; or (c) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. For purposes hereof, "**Acquisition Proposal**" shall mean any inquiry, proposal or offer from any Person (other than the Company) concerning (i) a merger, consolidation, liquidation, recapitalization, share exchange or other business combination transaction involving a Prospect; (ii) the issuance or acquisition of shares of capital stock or other equity securities of a Prospect; (iii) the sale, lease, exchange or other disposition of any significant portion of a Prospect's properties or assets; or (iv) anything that would constitute an "Acquisition Proposal" under any agreement or understanding between the Company and another Person which agreement or understanding was disclosed to Consultant. The Company's prior written consent regarding the above activities with respect to a Prospect that did not become a Candidate under Schedule 2 of this Agreement may not be unreasonably withheld. The Company's prior written consent regarding the above activities with respect to a Candidate may be given or withheld in its sole discretion. For the avoidance of doubt, Consultant's engagement in the above-listed activities with respect to a Prospect for which the Company's consent has been given will not by itself be considered to violate Consultant's obligations under Section 6 of the Restrictive Covenants Agreement, and the Company agrees that Work Product concerning such Prospect may be used for such activities to the extent that such Work Product does not contain any Confidential Information regarding the Company.

13. ASSIGNMENT. You shall not assign any rights, or delegate or subcontract any obligations, under this Agreement without the Company's prior written consent. Any assignment in violation of the foregoing shall be deemed null and void. The Company may freely assign its rights and obligations under this Agreement at any time. Subject to the limits on assignment stated above, this Agreement will inure to the benefit of, be binding on and be enforceable against each of the Parties hereto and their respective successors and assigns.

14. GOVERNING LAW, JURISDICTION, AND VENUE. This Agreement and all related documents, including all schedules attached hereto, and all matters arising out of or relating to this Agreement, whether sounding in contract, tort or statute, are governed by, and construed in accordance with, the laws of the State of Tennessee (including its statutes of limitations), without giving effect to any conflict of laws provisions thereof that would require or permit the application of the laws of any jurisdiction other than those of the State of Tennessee. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought only in any state or federal court located in the State of Tennessee, County of Greene. The Parties hereby irrevocably submit to the non-exclusive jurisdiction of these courts and waive the defense of inconvenient forum to the maintenance of any action or proceeding in such venue.

15. MISCELLANEOUS.

15.1 You shall not export, directly or indirectly, any technical data acquired from the Company, or any products utilizing any such data, to any country in violation of any applicable export laws or regulations.

15.2 All notices, requests, consents, claims, demands, waivers and other communications hereunder (each, a "**Notice**") shall be in writing and addressed to the Parties at the addresses set forth on the first page of this Agreement (or to such other address that may be designated by the receiving party from time to time in accordance with this Section). All Notices shall be delivered by personal delivery, nationally recognized overnight courier (with all fees prepaid), facsimile or email (with confirmation of transmission), or certified or registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, a Notice is effective only if (a) the receiving party has received the Notice and (b) the party giving the Notice has complied with the requirements of this Section.

15.3 This Agreement, together with any other documents incorporated herein by reference, and related exhibits and schedules, constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter (it being understood and agreed that the Restrictive Covenants Agreement as amended and restated by

Section 12 hereof and as attached as Exhibit B hereto shall not be affected hereby and shall remain in full force and effect in accordance with its terms).

15.4 This Agreement may be amended, modified, or supplemented, and any of the terms hereof may be waived, only by a written document signed by each Party or, in the case of waiver, by the Party or Parties waiving compliance.

15.5 If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

15.6 This Agreement may be executed in multiple counterparts and by facsimile signature or reproduction of a physical signature by electronic means, each of which shall be deemed an original and all of which together shall constitute one instrument.

[Agreement Continued on Next Page]

If this letter agreement accurately sets forth our understanding, kindly execute the enclosed copy and return it to the undersigned.

Very truly yours,

FORWARD AIR, INC.

/s/ Michael L. Hance
Michael L. Hance
Chief Legal Officer

ACCEPTED AND AGREED:

MATTHEW J. JEWELL

/s/ Matthew J. Jewell

Exhibit A

Option Award Agreement	Number of Vested Stock Options Outstanding on Employment End Date
Nonqualified Stock Option Agreement dated 2/6/14	7,349
Nonqualified Stock Option Agreement dated 2/9/15	6,846
Nonqualified Stock Option Agreement dated 2/8/16	9,379
Nonqualified Stock Option Agreement dated 2/6/17	9,098
Nonqualified Stock Option Agreement dated 2/5/18	3,535
Total	36,207

Exhibit 31.1

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

I, Tom Schmitt, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2020 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: July 31, 2020

/s/ Tom Schmitt

Tom Schmitt
President and Chief Executive Officer

Exhibit 31.2

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

I, Michael J. Morris, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2020 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: July 31, 2020

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer 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 Quarterly Report on Form 10Q of Forward Air Corporation (the “Company”) for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tom Schmitt, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: July 31, 2020

/s/ Tom Schmitt
Tom Schmitt
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 Quarterly Report on Form 10Q of Forward Air Corporation (the “Company”) for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Morris, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: July 31, 2020

/s/ Michael J. Morris

Michael J. Morris
Chief Financial Officer 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.