

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2012
Commission File No. 000-22490



FORWARD AIR CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee

(State or other jurisdiction of incorporation)

**430 Airport Road
Greeneville, Tennessee**

(Address of principal executive offices)

62-1120025

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

37745

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes No

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of April 24, 2012 was 29,084,906.

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Part I. Financial Information

Item 1. Financial Statements (Unaudited).

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

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011 (a)</u>
Assets		
Current assets:		
Cash	\$ 69,397	\$ 58,801
Accounts receivable, less allowance of \$1,567 in 2012 and \$1,503 in 2011	75,376	70,922
Other current assets	10,669	9,994
Total current assets	155,442	139,717
Property and equipment	235,138	223,135
Less accumulated depreciation and amortization	96,531	93,267
Total property and equipment, net	138,607	129,868
Goodwill and other acquired intangibles:		
Goodwill	43,332	43,332
Other acquired intangibles, net of accumulated amortization of \$22,609 in 2012 and \$21,462 in 2011	25,521	26,668
Total net goodwill and other acquired intangibles	68,853	70,000
Other assets	1,858	1,566
Total assets	\$ 364,760	\$ 341,151
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 16,563	\$ 12,392
Accrued expenses	23,163	20,986
Current portion of debt and capital lease obligations	521	552
Total current liabilities	40,247	33,930
Long-term debt and capital lease obligations, less current portion	228	333
Other long-term liabilities	9,470	8,860
Deferred income taxes	10,058	11,126
Shareholders' equity:		
Preferred stock	—	—
Common stock, \$0.01 par value: Authorized shares - 50,000,000, Issued and outstanding shares - 28,888,315 in 2012 and 28,553,286 in 2011	289	285
Additional paid-in capital	52,212	42,212
Retained earnings	252,256	244,405
Total shareholders' equity	304,757	286,902
Total liabilities and shareholders' equity	\$ 364,760	\$ 341,151

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

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

	Three months ended	
	March 31, 2012	March 31, 2011
Operating revenue:		
Forward Air		
Airport-to-airport	\$ 90,627	\$ 82,147
Logistics	21,313	16,494
Other	6,202	6,403
Forward Air Solutions		
Pool distribution	18,939	15,157
Total operating revenue	137,081	120,201
Operating expenses:		
Purchased transportation		
Forward Air		
Airport-to-airport	36,758	32,593
Logistics	15,716	12,799
Other	1,598	1,473
Forward Air Solutions		
Pool distribution	5,126	3,457
Total purchased transportation	59,198	50,322
Salaries, wages and employee benefits	33,174	30,495
Operating leases	7,106	6,706
Depreciation and amortization	5,121	5,082
Insurance and claims	2,798	2,175
Fuel expense	2,541	2,388
Other operating expenses	10,354	9,747
Total operating expenses	120,292	106,915
Income from operations	16,789	13,286
Other income (expense):		
Interest expense	(51)	(195)
Other, net	17	16
Total other expense	(34)	(179)
Income before income taxes	16,755	13,107
Income taxes	6,482	5,238
Net income and comprehensive income	\$ 10,273	\$ 7,869
Net income per share:		
Basic	\$ 0.36	\$ 0.27
Diluted	\$ 0.35	\$ 0.27
Weighted average shares outstanding:		
Basic	28,692	29,135
Diluted	29,363	29,371
Dividends per share:	\$ 0.07	\$ 0.07

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

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

	Three months ended	
	March 31, 2012	March 31, 2011
Operating activities:		
Net income	\$ 10,273	\$ 7,869
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	5,121	5,082
Share-based compensation	1,606	1,443
Loss on disposal of property and equipment	196	21
Provision for loss (recovery) on receivables	110	(50)
Provision for revenue adjustments	427	484
Deferred income taxes	(804)	20
Tax benefit for stock options exercised	(204)	(88)
Changes in operating assets and liabilities		
Accounts receivable	(2,491)	(6,058)
Prepaid expenses and other current assets	(925)	(881)
Accounts payable and accrued expenses	4,646	7,377
Net cash provided by operating activities	<u>17,955</u>	<u>15,219</u>
Investing activities:		
Proceeds from disposal of property and equipment	205	279
Purchases of property and equipment	(13,098)	(7,329)
Other	(306)	308
Net cash used in investing activities	<u>(13,199)</u>	<u>(6,742)</u>
Financing activities:		
Payments of debt and capital lease obligations	(136)	(171)
Proceeds from exercise of stock options	8,192	4,838
Payments of cash dividends	(2,034)	(2,055)
Cash settlement of share-based awards for minimum tax withholdings	(386)	—
Tax benefit for stock options exercised	204	88
Net cash provided by financing activities	<u>5,840</u>	<u>2,700</u>
Net increase in cash	10,596	11,177
Cash at beginning of period	58,801	74,504
Cash at end of period	<u>\$ 69,397</u>	<u>\$ 85,681</u>

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

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

Forward Air Corporation's ("the Company") services can be classified into two principal reporting segments: Forward Air, Inc. ("Forward Air") and Forward Air Solutions, Inc. ("FASI").

Through the Forward Air segment, the Company is a leading provider of time-definite transportation and related logistics services to the North American deferred air freight market and its activities can be classified into three categories of service: airport-to-airport, logistics, and other. Forward Air's airport-to-airport service operates a comprehensive national network for the time-definite surface transportation of expedited ground freight. The airport-to-airport service offers customers local pick-up and delivery and scheduled surface transportation of cargo as a cost effective, reliable alternative to air transportation. Forward Air's logistics services provide expedited truckload brokerage and dedicated fleet services. Forward Air's other services include shipment consolidation and deconsolidation, warehousing, customs brokerage, and other handling. The Forward Air segment primarily provides its transportation services through a network of terminals located at or near airports in the United States and Canada.

FASI provides pool distribution services throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. FASI's primary customers for this service are regional and nationwide distributors and retailers, such as mall, strip mall and outlet based retail chains.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by United States generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company's operating results are subject to seasonal trends when measured on a quarterly basis; therefore operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. 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, 2011.

The balance sheet at December 31, 2011, as presented in this filing, has been derived from the audited financial statements at that date, but does not include all of the financial information and notes required by United States generally accepted accounting principles for complete financial statements.

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

2. Recent Accounting Pronouncements

In May 2011, the FASB issued additional amendments to its fair value guidance in order to improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). These new amendments were not intended to establish valuation standards or affect valuation practices outside of financial reporting, but to explain how to measure fair value. These amendments require additional disclosures for transfer between Level 1 and Level 2 of the fair value hierarchy, sensitivity of Level 3 fair value measurements to changes in unobservable inputs and categorization by level of the fair value hierarchy for items required to be disclosed. These amendments are effective for interim and annual periods beginning after December 15, 2011. The adoption of the new amendments did not have a material effect on the Company's financial statement disclosures.

In September 2011, the FASB issued amendments to its goodwill and intangible asset guidance to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether to perform the two-step goodwill impairment test. Under these new amendments, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. These amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of these amendments could impact how the Company assesses goodwill impairment, but the amendment will not have a significant effect on the Company's financial statement results or disclosures.

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

In 2011, the FASB issued amendments to require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. These amendments eliminate the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. As the Company does not currently have any items of comprehensive income, these amendments did not significantly impact the Company's financial statement presentation or disclosures.

3. Goodwill and Long-Lived Assets

The Company conducts an annual (or more frequently if circumstances indicate possible impairment) impairment test of goodwill for each reporting unit at June 30 of each year. The first step of the goodwill impairment test is the estimation of the reporting unit's fair value. If step one indicates that impairment potentially exists, the second step is performed to measure the amount of the impairment, if any. Goodwill impairment exists when the calculated implied fair value of goodwill is less than its carrying value. Changes in strategy or market conditions could significantly impact these fair value estimates and require adjustments to recorded asset balances.

The Company conducted its annual impairment test of goodwill for each reporting unit as of June 30, 2011 and no impairment charges were required. In addition, due to FASI's results from operations not meeting the Company's projections for the three and nine months ended September 30, 2011, the Company conducted an impairment test of goodwill for the FASI reporting unit as of September 30, 2011. There were no impairment charges required as a result of the September 30, 2011 FASI impairment test.

For the goodwill impairment calculations, the Company calculates the fair value of the applicable reportable units, using a combination of discounted projected cash flows and market valuations for comparable companies as of the valuation date. The Company's fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("the FASB Codification").

As of March 31, 2012, the carrying value of goodwill related to the Forward Air and FASI segments was \$ 37,926 and \$5,406, respectively. The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. Earnings estimated to be generated by the Forward Air segment are expected to continue supporting the carrying value of its goodwill. The FASI segment is currently facing the challenges of building, expanding and diversifying its revenue base. If FASI's efforts are significantly delayed, future estimates of projected financial information may be reduced, and the Company may be required to record an impairment charge against the carrying value of FASI's goodwill. There were no changes in the carrying amount of goodwill during the three months ended March 31, 2012.

4. Share-Based Payments

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

Employee Activity - Stock Options

Stock option grants to employees typically expire seven years from the grant date and vest ratably over a three-year period. The Company used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The weighted-average fair value of options granted and assumptions used to calculate their fair value during the three months ended March 31, 2012 and 2011 were as follows:

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

	Three months ended	
	March 31, 2012	March 31, 2011
Expected dividend yield	0.9%	1.0%
Expected stock price volatility	46.6%	44.9%
Weighted average risk-free interest rate	0.8%	2.4%
Expected life of options (years)	4.2	4.6
Weighted average grant date fair value	\$ 13	\$ 11

The following tables summarize the Company's employee stock option activity and related information for the three months ended March 31, 2012 and 2011:

	Three months ended March 31, 2012			
	Options (000)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (000)	Weighted- Average Remaining Contractual Term
Outstanding at December 31, 2011	3,363	\$ 26		
Granted	93	37		
Exercised	(308)	27		
Outstanding at March 31, 2012	3,148	\$ 27	\$ 25,704	3.2
Exercisable at March 31, 2012	2,755	\$ 26	\$ 22,678	2.9

	Three months ended	
	March 31, 2012	March 31, 2011
Shared-based compensation for options	\$ 822	\$ 1,115
Tax benefit for option compensation	\$ 217	\$ 307
Unrecognized compensation cost for options, net of estimated forfeitures	\$ 3,265	\$ 5,678

Employee Activity - Non-vested Shares

Non-vested share grants to employees vest ratably over a three-year period. The non-vested shares' fair values were estimated using closing market prices on the day of grant. The following tables summarize the Company's employee non-vested share activity and related information for the three months ended March 31, 2012 and 2011:

	Three months ended March 31, 2012		
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Aggregate Grant Date Fair Value (000)
Outstanding and non-vested at December 31, 2011	108	\$ 29	
Granted	103	37	
Vested	(36)	29	
Outstanding and non-vested at March 31, 2012	175	\$ 33	\$ 5,813

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

	Three months ended	
	March 31, 2012	March 31, 2011
Shared-based compensation for non-vested shares	\$ 445	\$ 137
Tax benefit for non-vested share compensation	\$ 174	\$ 55
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	\$ 5,319	\$ 2,939

Employee Activity - Performance Shares

In 2011 and 2012, the Company granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, the Company will issue to the employees a calculated number of common stock shares based on the three year performance of the Company's common stock share price as compared to the share price performance of a selected peer group. No shares may be issued if the Company share price performance outperforms 30% or less of the peer group, but the number of shares issued may be doubled if the Company share price performs better than 90% of the peer group. The fair value of the performance shares was estimated using a Monte Carlo simulation. The weighted average assumptions used in the Monte Carlo calculation were as follows:

	Three months ended	
	March 31, 2012	March 31, 2011
Expected stock price volatility	40.8%	47.7%
Weighted average risk-free interest rate	0.4%	1.4%

The following tables summarize the Company's employee performance share activity, assuming median share awards, and related information for the three months ended March 31, 2012 and 2011:

	Three months ended March 31, 2012		
	Performance Shares (000)	Weighted- Average Grant Date Fair Value	Aggregate Grant Date Fair Value (000)
Outstanding and non-vested at December 31, 2011	38	\$ 30	
Granted	24	45	
Vested	—	—	
Outstanding and non-vested at March 31, 2012	62	\$ 36	\$ 2,205

	Three months ended	
	March 31, 2012	March 31, 2011
Shared-based compensation for performance shares	\$ 147	\$ 53
Tax benefit for performance share compensation	\$ 57	\$ 21
Unrecognized compensation cost for performance shares, net of estimated forfeitures	\$ 1,724	\$ 1,164

Non-employee Director Activity - Non-vested Shares

Grants of non-vested shares to non-employee directors vest ratably over the elected term to the Board of Directors, or one year. The following tables summarize the Company's non-employee non-vested share activity and related information for the three months ended March 31, 2012 and 2011:

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

	Three months ended March 31, 2012		
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Aggregate Grant Date Fair Value (000)
Outstanding and non-vested at December 31, 2011	24	\$ 33	
Granted	—	—	
Vested	(2)	31	
Outstanding and non-vested at March 31, 2012	<u>22</u>	<u>\$ 33</u>	<u>\$ 720</u>

	Three months ended	
	March 31, 2012	March 31, 2011
Shared-based compensation for non-vested shares	\$ 192	\$ 138
Tax benefit for non-vested share compensation	\$ 75	\$ 55
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	\$ 78	\$ 120

Non-employee Director Activity - Stock Options

In addition to the above activity, each May from 1995 to 2005 options were granted to the non-employee directors of the Company. The options have terms of ten years and are fully exercisable. At March 31, 2012, 40,625 options were outstanding and will expire between May 2013 and May 2015. At March 31, 2012, the weighted average exercise price per share and remaining contractual term for the outstanding options of non-employee directors were \$21 and 2.2 years, respectively.

5. Senior Credit Facility

In February 2012, the Company entered into a new \$150,000 credit facility. This facility has a term of five years and matures in February 2017. The Company entered into this larger credit facility in order to fund potential acquisitions, the repurchase of its common stock and the financing of other general business purposes. Interest rates for advances under the facility are LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings (1.4% at March 31, 2012). The agreement contains certain covenants and restrictions, none of which are expected to significantly affect the Company's operations or ability to pay dividends. No assets are pledged as collateral against the credit facility. As of March 31, 2012, the Company had no borrowings outstanding under the senior credit facility. At March 31, 2012, the Company had utilized \$9,316 of availability for outstanding letters of credit and had \$140,684 of available borrowing capacity outstanding under the senior credit facility.

6. Net Income Per Share

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

	Three months ended	
	March 31, 2012	March 31, 2011
Numerator:		
Numerator for basic and diluted income per share - net income	\$ 10,273	\$ 7,869
Denominator (in thousands):		
Denominator for basic income per share - weighted-average shares	28,692	29,135
Effect of dilutive stock options and non-vested shares	671	236
Denominator for diluted income per share - adjusted weighted-average shares	<u>29,363</u>	<u>29,371</u>
Basic net income per share	<u>\$ 0.36</u>	<u>\$ 0.27</u>
Diluted net income per share	<u>\$ 0.35</u>	<u>\$ 0.27</u>

The number of options and non-vested shares that could potentially dilute net earnings per share in the future, but that were not included in the computation of income per diluted share because to do so would have been anti-dilutive for the periods presented, were approximately 264,000 and 2,059,000 at March 31, 2012 and 2011, respectively.

7. Income Taxes

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various states and Canada. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or Canadian examinations by tax authorities for years before 2007.

For the three months ended March 31, 2012 and 2011, the effective income tax rates varied from the statutory federal income tax rate of 35.0%, primarily as a result of the effect of state income taxes, net of the federal benefit and permanent differences between book and tax net income.

8. Financial Instruments

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and trade accounts receivable. The Company does not generally require collateral from its customers. Concentrations of credit risk with respect to trade accounts receivable on a consolidated basis are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different industries. However, while not significant to the Company on a consolidated basis, four customers accounted for approximately 73.3% of FASI's operating revenue for the three months ended March 31, 2012.

Fair Value of Financial Instruments

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

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

The Company's senior credit facility bears interest at LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings. Using interest rate quotes and discounted cash flows, the Company estimated the fair value of its outstanding debt and capital lease obligations as follows:

	March 31, 2012	
	Carrying Value	Fair Value
Other debt and capital leases	\$ 749	\$ 789

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

9. Shareholders' Equity

During each quarter of 2012 and 2011, the Company's Board of Directors declared a cash dividend of \$0.07 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.

In July 2007, the Company's Board of Directors approved a stock repurchase program ("Repurchase Plan") for up to two million shares of the Company's common stock. As of March 31, 2012, 815,059 shares remain that may be repurchased under the Repurchase Plan.

10. Commitments and Contingencies

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

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

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

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

11. Segment Reporting

The Company operates in two reportable segments based on differences in services provided. Forward Air provides time-definite transportation and logistics services to the deferred air freight market. FASI provides pool distribution services primarily to regional and national distributors and retailers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies disclosed in Note 1 to the Consolidated Financial Statements included in the Company's 2011 Annual Report on Form 10-K. Segment data includes intersegment revenues. Assets and costs of the corporate headquarters are allocated to the segments based on usage. The Company evaluates the performance of its segments based on net income (loss). The Company's business is conducted in the U.S. and Canada.

The following tables summarize segment information about net income (loss) and assets used by the chief operating decision maker of the Company in making decisions regarding allocation of assets and resources as of and for the three months ended March 31, 2012 and 2011.

	Three months ended March 31, 2012			
	Forward Air	FASI	Eliminations	Consolidated
External revenues	\$ 118,142	\$ 18,939	\$ —	\$ 137,081
Intersegment revenues	218	267	(485)	—
Depreciation and amortization	4,027	1,094	—	5,121
Share-based compensation expense	1,531	75	—	1,606
Interest expense	44	7	—	51
Interest income	16	—	—	16
Income tax expense (benefit)	6,698	(216)	—	6,482
Net income (loss)	10,664	(391)	—	10,273
Total assets	363,746	38,956	(37,942)	364,760
Capital expenditures	9,265	3,833	—	13,098

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

	Three months ended March 31, 2011			
	Forward Air	FASI	Eliminations	Consolidated
External revenues	\$ 105,044	\$ 15,157	\$ —	\$ 120,201
Intersegment revenues	122	81	(203)	—
Depreciation and amortization	4,072	1,010	—	5,082
Share-based compensation expense	1,354	89	—	1,443
Interest expense	183	12	—	195
Interest income	49	—	—	49
Income tax expense (benefit)	5,614	(376)	—	5,238
Net income (loss)	8,507	(638)	—	7,869
Total assets	369,901	35,766	(37,565)	368,102
Capital expenditures	5,381	1,948	—	7,329

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements

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

Overview and Executive Summary

Our operations can be broadly classified into two principal segments: Forward Air, Inc. ("Forward Air") and Forward Air Solutions, Inc. ("FASI").

Through our Forward Air segment, we are a leading provider of time-definite surface transportation and related logistics services to the North American expedited ground freight market. We offer our customers local pick-up and delivery (Forward Air Complete™) and scheduled surface transportation of cargo as a cost-effective, reliable alternative to air transportation. We transport cargo that must be delivered at a specific time, but is less time-sensitive than traditional air freight. This type of cargo is frequently referred to in the transportation industry as deferred air freight. We operate our Forward Air segment through a network of terminals located on or near airports in 85 cities in the United States and Canada, including a central sorting facility in Columbus, Ohio and 12 regional hubs serving key markets. We also offer our customers an array of logistics and other services including: expedited truckload brokerage ("TLX"); dedicated fleets; warehousing; customs brokerage; and shipment consolidation, deconsolidation and handling.

FASI provides pool distribution services throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. Our primary customers for this service are regional and nationwide distributors and retailers, such as mall, strip mall and outlet based retail chains. We service these customers through a network of terminals and service centers located in 20 cities.

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

Trends and Developments

Results from Operations

During the three months ended March 31, 2012, we experienced a 14.1% increase in our consolidated revenues compared to the three months ended March 31, 2011. The increase in revenue is attributable to a 12.5% and 26.3% revenue increase in our Forward Air and FASI segments, respectively, during the three months ended March 31, 2012 as compared to the three months ended March 31, 2011. Forward Air revenue increases were driven by increased shipping volumes, net fuel surcharge and a general rate increase initiated in June 2011. These revenue increases also drove the improvement in our income from operations.

FASI revenue increased 26.3% for the three months ended March 31, 2012, compared to the same period in 2011. The FASI revenue increase was primarily the result of new business wins. The notable increase in revenue drove the \$0.4 million, or 40.0%, improvement in FASI's loss from operations during the three months ended March 31, 2012, compared to the three months ended March 31, 2011. However, the improvement in FASI operations due to the higher revenue volumes were partially offset by certain costs incurred for the implementation of strategic initiatives and increased cargo and vehicle claim costs.

During the three months ended March 31, 2012, increasing fuel prices have positively impacted our revenues and results of operations as compared to prior periods. Our net fuel surcharge revenue is the result of our fuel surcharge rates, which are set weekly using the national average for diesel price per gallon, and the tonnage transiting our network. The increase in shipping activity combined with the increasing diesel fuel prices have resulted in an increase in our net fuel surcharge revenue. Total net fuel surcharge revenue increased 16.4% during the three months ended March 31, 2012 as compared to the same period in 2011.

Goodwill

In accordance with our accounting policy, we conducted our annual impairment test of goodwill for each reporting unit as of June 30, 2011 and no further impairment charges were required. In addition, due to FASI's results from operations not meeting our projections for the nine months ended September 30, 2011, we conducted an impairment test of goodwill for the FASI reporting unit as of September 30, 2011. There were no impairment charges required as a result of the September 30, 2011 FASI impairment test.

As of March 31, 2012, the carrying value of goodwill related to the Forward Air and FASI segments was \$37.9 million and \$5.4 million, respectively. The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. Earnings estimated to be generated by our Forward Air segment are expected to continue supporting the carrying value of its goodwill. Our FASI segment is currently facing the challenges of building, expanding and diversifying its revenue base. If FASI's efforts are significantly delayed, future estimates of projected financial information may be reduced, and we may be required to record an impairment charge against the carrying value of FASI's goodwill.

Segments

Our operations can be broadly classified into two principal segments: Forward Air and FASI.

Our Forward Air segment includes our airport-to-airport network, Forward Air Complete, and TLX services as well as our other accessorial related services such as warehousing; customs brokerage; and value-added handling services.

Our FASI segment includes our pool distribution business.

Results of Operations

The following table sets forth our consolidated historical financial data for the three months ended March 31, 2012 and 2011 (in millions):

	Three months ended			
	March 31, 2012	March 31, 2011	Change	Percent Change
Operating revenue	\$ 137.1	\$ 120.2	\$ 16.9	14.1 %
Operating expenses:				
Purchased transportation	59.2	50.3	8.9	17.7
Salaries, wages, and employee benefits	33.2	30.5	2.7	8.9
Operating leases	7.1	6.7	0.4	6.0
Depreciation and amortization	5.1	5.1	—	—
Insurance and claims	2.8	2.2	0.6	27.3
Fuel expense	2.5	2.4	0.1	4.2
Other operating expenses	10.4	9.7	0.7	7.2
Total operating expenses	120.3	106.9	13.4	12.5
Income from operations	16.8	13.3	3.5	26.3
Other expense:				
Interest expense	—	(0.2)	0.2	(100.0)
Total other expense	—	(0.2)	0.2	(100.0)
Income before income taxes	16.8	13.1	3.7	28.2
Income taxes	6.5	5.2	1.3	25.0
Net income	\$ 10.3	\$ 7.9	\$ 2.4	30.4 %

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The following table sets forth our historical financial data by segment for the three months ended March 31, 2012 and 2011 (in millions):

	Three months ended					
	March 31, 2012	Percent of Revenue	March 31, 2011	Percent of Revenue	Change	Percent Change
Operating revenue						
Forward Air	\$ 118.4	86.4 %	\$ 105.2	87.5 %	\$ 13.2	12.5 %
FASI	19.2	14.0	15.2	12.6	4.0	26.3
Intercompany eliminations	(0.5)	(0.4)	(0.2)	(0.1)	(0.3)	150.0
Total	137.1	100.0	120.2	100.0	16.9	14.1
Purchased transportation						
Forward Air	54.3	45.9	46.9	44.6	7.4	15.8
FASI	5.3	27.6	3.6	23.7	1.7	47.2
Intercompany eliminations	(0.4)	80.0	(0.2)	100.0	(0.2)	100.0
Total	59.2	43.2	50.3	41.8	8.9	17.7
Salaries, wages and employee benefits						
Forward Air	25.7	21.7	23.9	22.7	1.8	7.5
FASI	7.5	39.1	6.6	43.4	0.9	13.6
Total	33.2	24.2	30.5	25.4	2.7	8.9
Operating leases						
Forward Air	5.1	4.3	4.9	4.7	0.2	4.1
FASI	2.0	10.4	1.8	11.8	0.2	11.1
Total	7.1	5.2	6.7	5.6	0.4	6.0
Depreciation and amortization						
Forward Air	4.0	3.4	4.1	3.9	(0.1)	(2.4)
FASI	1.1	5.7	1.0	6.6	0.1	10.0
Total	5.1	3.7	5.1	4.2	—	—
Insurance and claims						
Forward Air	2.1	1.8	1.6	1.5	0.5	31.3
FASI	0.7	3.6	0.6	3.9	0.1	16.7
Total	2.8	2.0	2.2	1.8	0.6	27.3
Fuel expense						
Forward Air	1.1	0.9	1.1	1.0	—	—
FASI	1.4	7.3	1.3	8.6	0.1	7.7
Total	2.5	1.8	2.4	2.0	0.1	4.2
Other operating expenses						
Forward Air	8.7	7.3	8.4	8.0	0.3	3.6
FASI	1.8	9.4	1.3	8.6	0.5	38.5
Intercompany eliminations	(0.1)	20.0	—	—	(0.1)	(100.0)
Total	10.4	7.6	9.7	8.1	0.7	7.2
Income (loss) from operations						
Forward Air	17.4	14.7	14.3	13.6	3.1	21.7
FASI	(0.6)	(3.1)	(1.0)	(6.6)	0.4	(40.0)
Total	\$ 16.8	12.3 %	\$ 13.3	11.1 %	\$ 3.5	26.3 %

The following table presents the components of the Forward Air segment's operating revenue and purchased transportation for the three months ended March 31, 2012 and 2011 (in millions):

	Three months ended					
	March 31, 2012	Percent of Revenue	March 31, 2011	Percent of Revenue	Change	Percent Change
Forward Air revenue						
Airport-to-airport	\$ 90.8	76.7%	\$ 82.2	78.1%	\$ 8.6	10.5 %
Logistics	21.4	18.1	16.6	15.8	4.8	28.9
Other	6.2	5.2	6.4	6.1	(0.2)	(3.1)
Total	\$ 118.4	100.0%	\$ 105.2	100.0%	\$ 13.2	12.5 %
Forward Air purchased transportation						
Airport-to-airport	\$ 36.9	40.6%	\$ 32.6	39.7%	\$ 4.3	13.2 %
Logistics	15.8	73.8	12.8	77.1	3.0	23.4
Other	1.6	25.8	1.5	23.4	0.1	6.7
Total	\$ 54.3	45.9%	\$ 46.9	44.6%	\$ 7.4	15.8 %

Three Months Ended March 31, 2012 compared to Three Months Ended March 31, 2011

Revenues

Operating revenue increased by \$16.9 million, or 14.1%, to \$137.1 million for the three months ended March 31, 2012 from \$120.2 million in the same period of 2011.

Forward Air

Forward Air operating revenue increased \$13.2 million, or 12.5%, to \$118.4 million from \$105.2 million, accounting for 86.4% of consolidated operating revenue for the three months ended March 31, 2012 compared to 87.5% for the same period in 2011. Airport-to-airport revenue, which is the largest component of our consolidated operating revenue, increased \$8.6 million, or 10.5%, to \$90.8 million from \$82.2 million, accounting for 76.7% of the segment's operating revenue during the three months ended March 31, 2012 compared to 78.1% for the same period in March 31, 2011. Increased tonnage and an increase in our base revenue per pound, excluding net fuel surcharge revenue and Forward Air Complete ("Complete") revenue, accounted for \$4.5 million of the increase in airport-to-airport revenue. Our airport-to-airport business is priced on a per pound basis and the average revenue per pound, excluding the impact of fuel surcharges and Complete, increased 1.0% for the three months ended March 31, 2012 versus the three months ended March 31, 2011. Tonnage that transited our network increased by 5.4% in the three months ended March 31, 2012 compared with the three months ended March 31, 2011. Average base revenue per pound increased as a result of a general rate increase that we implemented in June 2011. The remaining increase in airport-to-airport revenue is the result of increased net fuel surcharge revenue and revenue from our Complete pick-up and delivery service. Net fuel surcharge revenue increased \$1.4 million, or 21.5%, during the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 in response to increased fuel prices and overall business volumes. In addition, Complete revenue increased \$2.7 million, or 30.9%, during the three months ended March 31, 2012 compared to the same period of 2011. The increase in Complete revenue is attributable to the overall increase in airport-to-airport shipping volumes as well as higher customer utilization of our Complete service.

Logistics revenue, which is primarily TLX, increased \$4.8 million, or 28.9%, to \$21.4 million in the first quarter of 2012 from \$16.6 million in the same period of 2011. TLX revenue, which is priced on a per mile basis, increased \$4.3 million as miles driven to support our TLX revenue increased by approximately 23.1% during the three months ended March 31, 2012 compared to the same period in 2011. Also, TLX average revenue per mile increased 4.4%. The increase in miles and average revenue per mile is mainly attributable to new business wins in 2011 and change in the overall business mix. The remaining increase in logistics revenue was primarily driven by increases in various other non-mileage based logistic revenues, such as drayage services, which increased in conjunction with the overall increase in TLX business volumes.

Other revenue, which includes warehousing services and terminal handling, accounted for the final component of Forward Air operating revenue. Other revenue decreased \$0.2 million, or 3.1%, to \$6.2 million in the first quarter of 2012 from \$6.4 million in the same period of 2011. The decrease in revenue was primarily due to ceasing certain dedicated local pick up and delivery services early in the first quarter of 2012.

FASI

FASI operating revenue increased \$4.0 million, or 26.3%, to \$19.2 million for the three months ended March 31, 2012 from \$15.2 million for the same period in 2011. The increase in revenue was mostly attributable to 2011 new business wins for new and previously existing customers. Approximately \$0.5 million of the new business was from new customers, including non-specialty retailers. Another \$0.7 million of revenue was attributable to new truckload direct to store business for a previously existing customer. The remainder of the FASI revenue increase was attributable to increased volumes as well as new market wins from existing customers.

Intercompany Eliminations

Intercompany eliminations increased \$0.3 million, or 150.0%, to \$0.5 million in the first quarter of 2012 from \$0.2 million in the same period of 2011. The intercompany eliminations are the result of truckload, airport-to-airport, and handling services Forward Air provided to FASI and FASI cartage and handling services provided to Forward Air during the three months ended March 31, 2012 and 2011. The increase in intercompany eliminations was the result of increased airport-to-airport and handling services Forward Air provided to FASI and increased cartage services FASI provided to Forward Air.

Purchased Transportation

Purchased transportation increased by \$8.9 million, or 17.7%, to \$59.2 million in the first quarter of 2012 from \$50.3 million in the same period of 2011. As a percentage of total operating revenue, purchased transportation was 43.2% during the three months ended March 31, 2012 compared to 41.8% for the same period in 2011.

Forward Air

Forward Air's purchased transportation increased by \$7.4 million, or 15.8%, to \$54.3 million for the three months ended March 31, 2012 from \$46.9 million for the three months ended March 31, 2011. The increase in purchased transportation is primarily attributable to an 12.4% increase in miles driven and a 3.0% increase in the total cost per mile for the first quarter of 2012 versus the same period in 2011. As a percentage of segment operating revenue, Forward Air purchased transportation was 45.9% during the three months ended March 31, 2012 compared to 44.6% for the same period in 2011.

Purchased transportation costs for our airport-to-airport network increased \$4.3 million, or 13.2%, to \$36.9 million for the three months ended March 31, 2012 from \$32.6 million for the three months ended March 31, 2011. For the three months ended March 31, 2012, purchased transportation for our airport-to-airport network increased to 40.6% of airport-to-airport revenue from 39.7% for the same period in 2011. The \$4.3 million increase is mostly attributable to a 7.9% increase in miles driven by our network of owner-operators or third party transportation providers and a 1.2% increase in the cost per mile paid to our network of owner-operators or third party transportation providers. The increase in miles increased purchased transportation by \$2.1 million while the higher cost per mile increased purchased transportation by \$0.3 million. Miles driven by our network of owner-operators or third party transportation providers increased in conjunction with the tonnage increase discussed above as well as shifts in business mix. The cost per mile increase was primarily attributable to higher utilization of more costly third party transportation providers as additional capacity was required to accommodate the increased tonnage volumes and shifts in business mix. The remaining increase was attributable to a \$1.9 million increase in third party transportation costs associated with the increased Complete shipment volumes discussed above.

Purchased transportation costs for our logistics revenue increased \$3.0 million, or 23.4%, to \$15.8 million for the three months ended March 31, 2012 from \$12.8 million for the three months ended March 31, 2011. For the three months ended March 31, 2012, logistics' purchased transportation costs represented 73.8% of logistics revenue compared to 77.1% for the same period in 2011. The increase in logistics' purchased transportation was mostly attributable to a \$2.7 million, or 22.4%, increase in TLX purchased transportation. Miles driven to support our TLX revenue increased 23.1% while our TLX cost per mile decreased approximately 0.7% during the three months ended March 31, 2012 compared to the same period in 2011. The decrease in cost per mile was mostly attributable to increased utilization of our network of owner-operators as opposed to more costly third party transportation providers. The remaining increase in logistics' purchased transportation costs was attributable to increases in various other non-mileage based costs, such as drayage services.

Purchased transportation costs related to our other revenue increased \$0.1 million, or 6.7%, to \$1.6 million for the three months ended March 31, 2012 from \$1.5 million for the three months ended March 31, 2011. Other purchased transportation costs as a percentage of other revenue increased to 25.8% of other revenue for the three months ended March 31, 2012 from 23.4% for the same period in 2011. The increase in other purchased transportation costs as a percentage of revenue is primarily attributable to the cessation of certain, dedicated local pick up and delivery business during the first quarter of 2012. This business was primarily serviced by Company-employed drivers so revenues were reduced without a corresponding decrease in other purchased transportation.

FASI

FASI purchased transportation increased \$1.7 million, or 47.2%, to \$5.3 million for the three months ended March 31, 2012 from \$3.6 million for the three months ended March 31, 2011. FASI purchased transportation as a percentage of revenue was 27.6% for the three months ended March 31, 2012 compared to 23.7% for the three months ended March 31, 2011. The increase in FASI purchased transportation in total dollars and as a percentage of revenue was mostly attributable to our continued conversion from Company-employed drivers to owner-operators or third-party transportation providers and certain new business having an increased linehaul component which increased the utilization of owner-operators and third-party transportation providers.

Intercompany Eliminations

Intercompany eliminations increased \$0.2 million, or 100.0%, to \$0.4 million for the three months ended March 31, 2012 from \$0.2 million for the three months ended March 31, 2011. The intercompany eliminations are the result of truckload and airport-to-airport services Forward Air provided to FASI and FASI cartage services provided to Forward Air during the three months ended March 31, 2012. The increase in intercompany eliminations was the result of increased airport-to-airport services Forward Air provided to FASI and increased cartage services FASI provided to Forward Air.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits increased by \$2.7 million, or 8.9%, to \$33.2 million in the first quarter of 2012 from \$30.5 million in the same period of 2011. As a percentage of total operating revenue, salaries, wages and employee benefits was 24.2% during the three months ended March 31, 2012 compared to 25.4% for the same period in 2011.

Forward Air

Salaries, wages and employee benefits of Forward Air increased by \$1.8 million, or 7.5%, to \$25.7 million in the first quarter of 2012 from \$23.9 million in the same period of 2011. Salaries, wages and employee benefits were 21.7% of Forward Air's operating revenue in the first quarter of 2012 compared to 22.7% for the same period of 2011. The increase in salaries, wages and employee benefits in total dollars is largely due to increased variable wages, primarily dock employees, which increased in conjunction with the revenue volume increases discussed previously. In addition, Forward Air also experienced a \$0.5 million, or 24.1%, increase in health insurance costs during the three months end March 31, 2012 compared to the same period in 2011. The improvement in salaries, wages and employee benefits as a percentage of revenue is the result of the increase in revenue outpacing the increase in salaries, wages and employee benefits, slightly offset by the increased health insurance costs.

FASI

FASI salaries, wages and employee benefits increased \$0.9 million, or 13.6%, to \$7.5 million for the three months ended March 31, 2012 compared to \$6.6 million for the three months ended March 31, 2011. As a percentage of FASI operating revenue, salaries, wages and benefits decreased to 39.1% for the three months ended March 31, 2012 compared to 43.4% for the same period in 2011. The increase in salaries, wages and employee benefits in total dollars is largely due to increased variable wages, primarily dock employees, which increased in conjunction with the revenue volume increases discussed previously. The decrease in salaries, wages and employee benefits as a percentage of revenue is the result of improvement in Company-employed driver wages, health and workers' compensation insurance losses and the increase in revenue outpacing FASI's fixed salaries and benefits. For the first quarter of 2012, we reduced our Company-employed driver wages by 2.1% as a percentage of revenue compared to the same period in 2011. The improvement in Company-employed driver wages is largely the result of our continuing efforts to move to a more variable cost structure by converting from Company-employed drivers to a network of owner-operators and third-party transportation providers. The remaining improvement in FASI salaries, wages and employee benefits as a percentage of revenue is mainly due to the increase in revenue outpacing the increase in FASI's fixed salary and benefit costs.

Operating Leases

Operating leases increased by \$0.4 million, or 6.0%, to \$7.1 million in the first quarter of 2012 from \$6.7 million in the same period of 2011. Operating leases, the largest component of which is facility rent, were 5.2% of consolidated operating revenue for the three months ended March 31, 2012 compared with 5.6% in the same period of 2011.

Forward Air

Operating leases increased \$0.2 million, or 4.1%, to \$5.1 million in the first quarter of 2012 from \$4.9 million in the same period of 2011. Operating leases were 4.3% of Forward Air operating revenue for the three months ended March 31, 2012 compared with 4.7% in the same period of 2011. The \$0.2 million increase was the result of a higher occurrence of trailer rentals. Trailer rentals increased to provide additional capacity until new and replacement trailers were received at the end of the first quarter of 2012.

FASI

FASI operating lease expense increased \$0.2 million, or 11.1%, to \$2.0 million for the three months ended March 31, 2012 from \$1.8 million for the same period in 2011. The \$0.2 million increase was attributable to increased trailer and vehicle rentals. Trailer and vehicle rentals increased in conjunction with the the increase in revenue volumes discussed above as well as delays in receiving new company-owned trailers and vehicles. Trailer and vehicle rentals should be reduced during the second quarter of 2012 as FASI should benefit from new trailers and vehicles purchased in the first quarter of 2012.

Depreciation and Amortization

Depreciation and amortization was \$5.1 million in the first quarter of 2012 and 2011. Depreciation and amortization was 3.7% of consolidated operating revenue for the three months ended March 31, 2012 compared with 4.2% in the same period of 2011.

Forward Air

Depreciation and amortization decreased \$0.1 million, or 2.4%, to \$4.0 million in the first quarter of 2012 from \$4.1 million in the same period of 2011. Depreciation and amortization expense as a percentage of Forward Air operating revenue was 3.4% in the first quarter of 2012 compared to 3.9% in the same period of 2011. The \$0.1 million decrease is primarily attributable to reduced software amortization as certain internally developed software assets became fully depreciated in late 2011. New vehicle and trailer purchases should more than offset these decreases throughout the remainder of 2012.

FASI

FASI depreciation and amortization increased \$0.1 million, or 10.0%, to \$1.1 million for the three months ended March 31, 2012 from \$1.0 million for the same period in 2011. Depreciation and amortization expense as a percentage of FASI operating revenue was 5.7% in the first quarter of 2012 compared to 6.6% in the same period of 2011. The increase in FASI depreciation and amortization is largely due to new trailers and vehicles purchased during the first quarter of 2012.

Insurance and Claims

Insurance and claims expense increased \$0.6 million, or 27.3%, to \$2.8 million for the three months ended March 31, 2012 from \$2.2 million for the three months ended March 31, 2011. Insurance and claims were 2.0% of consolidated operating revenue for the three months ended March 31, 2012 compared with 1.8% for the same period in 2011.

Forward Air

Forward Air insurance and claims expense increased \$0.5 million, or 31.3%, to \$2.1 million for the three months ended March 31, 2012 from \$1.6 million for the three months ended March 31, 2011. The increase is partially attributable to a \$0.3 million increase in reserves and fees associated with vehicle accident claims due to developing facts and circumstances associated with certain claims. Vehicle physical damage repairs associated with accidents also increased \$0.2 million compared to the same period in 2011.

FASI

FASI insurance and claims expense increased \$0.1 million, or 16.7%, to \$0.7 million for the three months ended March 31, 2012 from \$0.6 million for the three months ended March 31, 2011. The \$0.1 million increase in FASI insurance and claims was largely attributable to increased cargo claims primarily from our specialty retail customers.

Fuel Expense

Fuel expense increased \$0.1 million, or 4.2%, to \$2.5 million in the first quarter of 2012 from \$2.4 million in the same period of 2011. Fuel expense was 1.8% of consolidated operating revenue for the three months ended March 31, 2012 compared with 2.0% for the same period in 2011.

Forward Air

Fuel expense was \$1.1 million in the first quarter of 2012 and 2011. Fuel expense was 0.9% of Forward Air operating revenue in the first quarter of 2012 and 1.0% for the same period of 2011.

FASI

FASI fuel expense increased \$0.1 million, or 7.7%, to \$1.4 million for the first quarter of 2012 from \$1.3 million for the first quarter of 2011. Fuel expenses were 7.3% of FASI operating revenue in the first quarter of 2012 compared to 8.6% in the first quarter of 2011. FASI fuel expense is significantly higher as a percentage of operating revenue than Forward Air's fuel expense, as FASI utilizes a higher ratio of Company-employed drivers and Company-owned or leased vehicles in its operations than Forward Air. The increase in FASI fuel expense was attributable to the increase in average fuel prices experienced during the first quarter of 2012 net of reductions in Company-miles run due to our shift towards a network of owner-operators and third-party transportation providers.

Other Operating Expenses

Other operating expenses increased \$0.7 million, or 7.2%, to \$10.4 million in the first quarter of 2012 from \$9.7 million in the same period of 2011. Other operating expenses were 7.6% of consolidated operating revenue for the three months ended March 31, 2012 compared with 8.1% in the same period of 2011.

Forward Air

Other operating expenses increased \$0.3 million, or 3.6%, to \$8.7 million during the three months ended March 31, 2012 from \$8.4 million in the same period of 2011. Other operating expenses were 7.3% of Forward Air operating revenue in the first quarter of 2012 compared to 8.0% in the same period of 2011. Forward Air variable costs increased during the three months ended March 31, 2012, in conjunction with the revenue volume increases discussed previously.

FASI

FASI other operating expenses increased \$0.5 million, or 38.5%, to \$1.8 million for the three months ended March 31, 2012 compared to \$1.3 million for the same period in 2011. FASI other operating expenses for the first quarter of 2012 were 9.4% of the segment's operating revenue compared to 8.6% for the same period in 2011. The increase is partially attributable to \$0.2 million incurred for the implementation of certain strategic initiatives. The costs incurred were primarily travel and dock related. The remaining increase was in conjunction with revenue volume increases discussed previously.

Intercompany Eliminations

Intercompany eliminations were \$0.1 million in the first quarter of 2012. These intercompany eliminations are the result of handling services Forward Air and FASI provided each other during the three months ended March 31, 2012.

Results from Operations

Income from operations increased by \$3.5 million, or 26.3%, to \$16.8 million for the first quarter of 2012 compared to \$13.3 million in the same period of 2011. Income from operations was 12.3% of consolidated operating revenue for the three months ended March 31, 2012 compared with 11.1% in the same period of 2011.

Forward Air

Income from operations increased by \$3.1 million, or 21.7%, to \$17.4 million for the first quarter of 2012 compared with \$14.3 million for the same period in 2011. Income from operations as a percentage of Forward Air operating revenue was 14.7% for the three months ended March 31, 2012 compared with 13.6% in the same period of 2011. The increase in income from operations was primarily the result of the increased revenue discussed previously and the resulting positive leverage the additional revenue provides against the fixed costs of the Forward Air network. The increases were somewhat offset by increased insurance and claim costs during the first quarter of 2012.

FASI

FASI's loss from operations decreased approximately \$0.4 million, or 40.0%, to a \$0.6 million loss for the three months ended March 31, 2012 from a \$1.0 million loss for the three months ended March 31, 2011. The decrease in FASI's loss from operations was primarily attributable to higher revenue volumes associated with new business wins partially offset by increased cargo claims, vehicle rentals and costs incurred to implement strategic initiatives.

Interest Expense

Interest expense was less than \$0.1 million for the three months ended March 31, 2012 compared to \$0.2 million for the same period of 2011. The decrease in interest expense was primarily attributable to the use of cash on hand to pay off our previous line of credit in December 2011.

Income Taxes

The combined federal and state effective tax rate for the first quarter of 2012 was 38.7% compared to a rate of 40.0% for the same period in 2011. Contributing to the decrease in our effective tax rate is the increase in our net income before income taxes combined with reductions in non-deductible expenses such as share-based compensation for incentive stock options.

Net Income

As a result of the foregoing factors, net income increased by \$2.4 million, or 30.4%, to \$10.3 million for the first quarter of 2012 compared to \$7.9 million for the same period in 2010.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with GAAP requires our management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Our estimates and assumptions are based on historical experience and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require management's most subjective judgments. A summary of significant accounting policies is disclosed in Note 1 to the Consolidated Financial Statements included in our 2010 Annual Report on Form 10-K. Our critical accounting policies are further described under the caption "Discussion of Critical Accounting Policies" in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2010 Annual Report on Form 10-K.

Impact of Recent Accounting Pronouncements

In May 2011, the FASB issued additional amendments to its fair value guidance in order to improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). These new amendments were not intended to establish valuation standards or affect valuation practices outside of financial reporting, but to explain how to measure fair value. These amendments require additional disclosures for transfer between Level 1 and Level 2 of the fair value hierarchy, sensitivity of Level 3 fair value measurements to changes in unobservable inputs and categorization by level of the fair value hierarchy for items required to be disclosed. These amendments are effective for interim and annual periods beginning after December 15, 2011. The adoption of the new amendments did not have a material effect on our financial statement disclosures.

In September 2011, the FASB issued amendments to its goodwill and intangible asset guidance to permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether to perform the two-step goodwill impairment test. Under these new amendments, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. These amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of these amendments may impact how we assess goodwill impairment but will not have a significant effect on our financial statement results or disclosures.

In 2011, the FASB issued amendments to require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. These amendments eliminate the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. As we do not currently have any items of comprehensive income, these amendments did not significantly impact our financial statement presentation or disclosures.

Liquidity and Capital Resources

We have historically financed our working capital needs, including capital expenditures, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately \$18.0 million for the three months ended March 31, 2012 compared to approximately \$15.2 million for the three months ended March 31, 2011. The \$2.8 million increase in cash provided by operating activities is mainly attributable to a \$2.0 million increase in net earnings after consideration of non-cash items and a \$3.6 million improvement in cash from accounts receivable. These increases were partially offset by a \$2.8 million increase in cash used for prepaid assets and accounts payable.

Net cash used in investing activities was approximately \$13.2 million for the three months ended March 31, 2012 compared with approximately \$6.7 million used in investing activities during the three months ended March 31, 2011. Investing activities during the three months ended March 31, 2012 consisted primarily of capital expenditures for new trailers, tractors, vehicles and forklifts to replace aging units. The \$0.2 million of proceeds from disposal of property and equipment is primarily from sales of older vehicles replaced by recent purchases.

Net cash provided by financing activities totaled approximately \$5.8 million for the three months ended March 31, 2012 compared with approximately \$2.7 million during the three months ended March 31, 2011. The increase in cash provided by financing activities is mainly attributable to a \$3.4 million increase in cash received from the exercise of stock options. Remaining financing activities for the three months ended March 31, 2012 and 2011 included our quarterly dividend payment and scheduled capital lease payments.

In February 2012, we entered into a new \$150.0 million credit facility. This facility has a term of five years and matures in February 2017. The Company entered into this larger credit facility in order to fund potential acquisitions, the repurchase of its common stock and the financing of other general business purposes. Interest rates for advances under the facility are LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings (1.4% at March 31, 2012). The agreement contains certain covenants and restrictions, none of which are expected to significantly affect the Company's operations or ability to pay dividends. No assets are pledged as collateral against the credit facility. As of March 31, 2012, the Company had no borrowings outstanding under the senior credit facility. At March 31, 2012, the Company had utilized \$9.3 million of availability for outstanding letters of credit and had \$140.7 million of available borrowing capacity under this new credit facility.

In July 2007, our Board of Directors approved a stock repurchase program (“Repurchase Plan”) for up to two million shares of our common stock. As of March 31, 2012 815,059 shares remain that may be repurchased under the Repurchase Plan.

During each quarter of 2012 and 2011, cash dividends of \$0.07 per share were declared on common stock outstanding. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by our Board of Directors.

We believe that our available cash, investments, expected cash generated from future operations and borrowings under the available senior credit facility will be sufficient to satisfy our anticipated cash needs for at least the next twelve months.

Forward-Looking Statements

This report contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. Some forward-looking statements may be identified by use of such terms as “believes,” “anticipates,” “intends,” “plans,” “estimates,” “projects” or “expects.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our inability to maintain our historical growth rate because of a decreased volume of freight moving through our network or decreased average revenue per pound of freight moving through our network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of our customers and their ability to pay for services rendered, our ability to secure terminal facilities in desirable locations at reasonable rates, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, claims for property damage, personal injuries or workers’ compensation, employment matters including rising health care costs, enforcement of and changes in governmental regulations, environmental and tax matters, the handling of hazardous materials, the availability and compensation of qualified independent owner-operators and freight handlers needed to serve our transportation needs and our inability to successfully integrate acquisitions. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our exposure to market risk related to our outstanding debt is not significant and has not changed materially since December 31, 2011.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

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

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

A summary of factors which could affect results and cause results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf, are further described under the caption "Risk Factors" in the Business portion of our 2011 Annual Report on Form 10-K. There have been no changes in the nature of these factors since December 31, 2011.

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

There were no unregistered purchases of shares of our common stock during the three months ended March 31, 2012.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

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

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)
3.2	Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3-1 to the registrant’s Current Report on Form 8-K filed with the Commission on July 6, 2009)
4.1	Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998, filed with the Securities and Exchange Commission on November 16, 1998)
10.1	Form of Performance Share Agreement under the registrant’s Amended and Restated Stock Option and Incentive Plan
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Signatures

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

Date: April 26, 2012

Forward Air Corporation
By: /s/ Rodney L. Bell
Rodney L. Bell
Chief Financial Officer, Senior Vice
President and Treasurer
(Principal Financial Officer)

By: /s/ Michael P. McLean
Michael P. McLean
Chief Accounting Officer, Vice President and
Controller
(Principal Accounting Officer)

EXHIBIT INDEX

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FORWARD AIR CORPORATION
NOTICE OF GRANT OF PERFORMANCE SHARES

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

Participant:		Employee ID:
Grant Date:	February 7, 2012	Grant No.:
Target Number of Performance Shares:	[_____], subject to adjustment as provided by the Agreement.	
Maximum Number of Performance Shares:	[_____], subject to adjustment as provided by the Agreement.	
Performance Metric:	<u>Percentile Ranking of Common Stock Price Appreciation within Peer Group</u>	
Performance Period:	Three-year period beginning on the Grant Date and ending on the third anniversary of the Grant Date (February 7, 2012 - February 7, 2015)	
Performance Share Vesting Date:	The 30th day after the last day of the Performance Period, except as otherwise provided by the Agreement.	
Vested Performance Shares:	<u>Provided that the Participant's Service has not terminated prior to the Performance Share Vesting Date, except as provided by the Agreement, on the Performance Share Vesting Date the number of Vested Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by multiplying the Target Number of Performance Shares by the Appreciation Multiplier (as defined by the Agreement).</u>	
Settlement Date:	The Performance Share Vesting Date, except as otherwise provided by the Agreement.	
Recoupment Policy:	The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.	

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

FORWARD AIR CORPORATION

PARTICIPANT

By: _____

Signature

Its: _____

Date

ATTACHMENT: Performance Share Agreement

**FORWARD AIR CORPORATION
PERFORMANCE SHARE AGREEMENT**

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

1. **Definitions and Construction.**

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

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

2. **Administration.**

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

3. **The Award.**

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

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

4. **Certification by the Committee.**

1. **Percentile Ranking of Peer Group Common Stock Price Appreciation.** As soon as practicable following completion of the Performance Period, and in any event on or before the Performance Share Vesting Date, the Committee shall certify in writing the Appreciation Percentile Ranking of the Company for the Performance Period and the resulting number of Performance Shares, if any, which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, except as otherwise provided by Section 5. The number of Performance Shares which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, shall be determined by multiplying the Target Number of Performance Shares specified on the Grant Notice by the Appreciation Multiplier specified below, based on the Company's Common Stock Price Appreciation for the Performance Period relative to the Common Stock Price Appreciation of the Peer Companies, rounding up to the nearest whole share:

Appreciation Percentile Ranking	Appreciation Multiplier
90th percentile or higher	200 %
70th percentile	150 %
50th percentile	100 %
30th percentile	50 %
Below 30th percentile	— %

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

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

5. **Vesting of Performance Shares**

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

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

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

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

5. **Forfeiture of Unvested Performance Shares.** Except as otherwise provided by this

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

6. **Settlement of the Award.**

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

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

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

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

7. **Tax Matters.**

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

2. **Withholding in Common Shares.** Subject to applicable law, the Company may, in its sole discretion, permit the Participant to satisfy any tax withholding obligations that arise in connection with the Award by directing that the Company reduce the number of shares of Common Shares otherwise issuable to the Participant in settlement of the Award by a number of whole Common Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, up to but not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. **CHANGE IN CONTROL**

1. **Acceleration of Vesting Upon a Change in Control.** In the event of the consummation of a Change in Control before the last day of the Performance Period, vesting of the outstanding Award shall be accelerated so that 100% of the Target Number of Performance Shares shall become Vested Performance Shares effective as of the date of the Change in Control, provided that the Participant's Service has not terminated prior to the Change in Control. In the event of the consummation of a Change in Control after the last day of the Performance Period but before the Performance Share Vesting Date, vesting of the outstanding Award shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares or (b) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the Appreciation Multiplier attained for the Performance Period, shall become Vested Performance Shares effective as of the date of the Change in Control, provided that the Participant's Service has not terminated prior to the Change in Control. Notwithstanding the foregoing, if the Participant's Service terminates due to Retirement and a Change in Control is consummated before the Participant's Award is settled, vesting of the Participant's outstanding Award

shall be accelerated so that a number of Performance Shares shall become Vested Performance Shares effective as of the date of the Change in Control determined, rounded up to the nearest whole share, by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under this Section 8.1 had no such Retirement occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period as reflected on the Grant Notice. In settlement of the Award, the Company shall issue to the Participant, on the date of the Change in Control, one (1) Common Share for each Vested Performance Share determined in accordance with this Section 8.1. The vesting of Performance Shares and settlement of the Award that was permissible solely by reason of this Section 8.1 shall be conditioned upon the consummation of the Change in Control. Notwithstanding the foregoing, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to the greater of (a) 100% of the Target Number of Performance Shares or (b) the number of Performance Shares that would otherwise become Vested Performance Shares by reason of this Section 8.1, in (a) cash, (b) stock of the Company or the acquiring entity or any parent company of the acquiring entity, or (c) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Common Stock in the Change in Control for each such Performance Share (subject to any required tax withholding). Such payment shall be made on or as soon as practicable following the Change in Control. All of the foregoing provisions of this Section 8.1 may be revised or eliminated, in whole or in part, in the discretion of the Committee and without the consent of the Participant, to the extent that the Committee determines such action to be appropriate or desirable after obtaining in connection with a Change in Control transaction a shareholder advisory vote required by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any successor provision, on golden parachute compensation arrangements, provided that this Agreement is a subject of that advisory vote.

2. **Federal Excise Tax Under Section 4999 of the Code.**

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

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

9. **Adjustments for Changes in Capital Structure.**

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

adjustments, as determined by the Committee, to the Common Stock Price Appreciation calculation for the Company or any Peer Company in the event that the common securities of the Company or such Peer Company are affected by a stock split, reverse stock split, stock dividend, or similar change in capitalization.

10. **Rights as a Stockholder or Employee**

The Participant shall have no rights as a stockholder with respect to any Common Shares which may be issued in settlement of this Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 9. Except as otherwise provided in a separate, written employment agreement between the Company or any Affiliate and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in the Grant Notice or this Agreement shall confer upon the Participant any right to continue in Service with the Company or any Affiliate or interfere in any way with any right of the Company or any Affiliate to terminate the Participant's Service with the Company or any Affiliate at any time.

11. **Compliance with Section 409A**

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

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

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

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

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

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

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

5. **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he

or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

12. **Miscellaneous Provisions.**

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

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

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

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

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

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

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

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 12.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.6(a) or

may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.6(a).

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

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

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

{Glossary begins on next page}

GLOSSARY

(a) **"Affiliate"** means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Forward Air Corporation (including but not limited to joint ventures, limited liability companies and partnerships). For this purpose, "control" means ownership of 50% or more of the total combined voting power of all classes of stock or interests of the entity.

(b) **"Appreciation Multiplier"** means a number determined as follows:

Appreciation Percentile Ranking	Appreciation Multiplier
90th percentile or higher	200%
70th percentile	150%
50th percentile	100%
30th percentile	50%
Below 30th percentile	—%

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

(c) **"Appreciation Percentile Ranking"** means the Company's percentile ranking relative to the Peer Companies, based on Common Stock Price Appreciation, calculated as follows: $1 - [(Company Rank - 1) / (Total Number of Peer Companies + the Company - 1)]$, rounding to the nearest whole percentile. For example, if the Company is ranked third out of a group of 13 consisting of the 12 Peer Companies plus the Company, the Percentile Ranking is calculated as $1 - [(3 - 1) / (12 + 1 - 1)]$ or $1 - (2/12)$ or $1 - 0.1667$ or the 83rd percentile. The Company's rank is determined by ordering the Peer Companies and the Company from highest to lowest based on Common Stock Price Appreciation for the Performance Period and counting down from the entity with the highest Common Stock Price Appreciation (ranked first) to the Company's position on the list. If two entities are ranked equally, the ranking of the next entity shall account for the tie, so that if one entity is ranked first and two entities are tied for second, the next entity is ranked fourth.

(d) **"Average Price"** means the average official closing price per share over the 30 consecutive trading days ending with and including the applicable day (if the applicable day is not a trading day, the next preceding trading day), adjusted to reflect the effect of any dividends actually paid during the 30 consecutive trading day period.

(e) "**Cause**" means a felony conviction of the Participant or the failure of the Participant to contest prosecution for a felony, or the Participant's gross negligence, willful misconduct or dishonesty, any of which is directly or materially harmful to the business or reputation of the Company, as determined by the Committee in its sole discretion.

(f) "**Change in Control**" shall have the meaning ascribed thereto in the Plan.

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

(h) "**Common Shares**" means shares of Common Stock issued in settlement of the Award.

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

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

(k) "**Disability**" means a disability as determined under procedures established by the Committee for purposes of the Plan, so long as such disability is within the meaning specified under Treas. Reg. § 1.409A-3(a)(4).

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

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

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

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

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

(D) In the event of a merger or acquisition or business combination transaction of a Peer Company with or by an entity that is not a Peer Company, other form of "going private" transaction relating to any Peer Company or the liquidation of any Peer Company, where such Peer Company is not the

surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company.

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

(n) "**Performance Period**" means the three-year period over which Common Stock Price Appreciation is measured. In the event that the last day of a Performance Period falls on a weekend or any other day on which the Nasdaq Stock Market is not open, the Performance Period shall end on the next following Nasdaq Stock Market business day.

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

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

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

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

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

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

{End of Agreement}

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

I, Bruce A. Campbell, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2012 of Forward Air Corporation;

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
2 the period covered by this report;

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
3 report;

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
4 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

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
5 equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2012

/s/ Bruce A. Campbell

Bruce A. Campbell
Chairman, President and Chief Executive Officer

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

I, Rodney L. Bell, certify that:

1 I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2012 of Forward Air Corporation;

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
2 the period covered by this report;

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
3 report;

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
4 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

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
5 equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2012

/s/ Rodney L. Bell

Rodney L. Bell

Chief Financial Officer, Senior Vice President and Treasurer

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

In connection with the Quarterly Report on Form 10Q of Forward Air Corporation (the "Company") for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce A. Campbell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: April 26, 2012

/s/ Bruce A. Campbell

Bruce A. Campbell
Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10Q of Forward Air Corporation (the "Company") for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rodney L. Bell, 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

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

Date: April 26, 2012

/s/ Rodney L. Bell

Rodney L. Bell

Chief Financial Officer, Senior Vice President and Treasurer

A signed original of this written statement required by Section 906 has been provided to Forward Air Corporation and will be retained by Forward Air Corporation and furnished to the Securities and Exchange Commission or its staff upon request.