

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, 2013
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
Greenville, 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 22, 2013 was 30,180,790.

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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)

	March 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 71,630	\$ 112,182
Accounts receivable, less allowance of \$1,760 in 2013 and \$1,444 in 2012	78,092	75,262
Other current assets	14,796	10,952
Total current assets	164,518	198,396
Property and equipment	254,066	239,138
Less accumulated depreciation and amortization	107,439	105,581
Total property and equipment, net	146,627	133,557
Goodwill and other acquired intangibles:		
Goodwill	87,860	43,332
Other acquired intangibles, net of accumulated amortization of \$27,249 in 2013 and \$26,028 in 2012	44,651	22,102
Total net goodwill and other acquired intangibles	132,511	65,434
Other assets	2,550	1,800
Total assets	\$ 446,206	\$ 399,187
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 14,285	\$ 11,168
Accrued expenses	18,131	16,476
Current portion of debt and capital lease obligations	182	276
Total current liabilities	32,598	27,920
Long-term debt and capital lease obligations, less current portion	37	58
Other long-term liabilities	9,138	7,098
Deferred income taxes	23,986	12,440
Shareholders' equity:		
Preferred stock	—	—
Common stock, \$0.01 par value: Authorized shares - 50,000,000, Issued and outstanding shares - 29,963,779 in 2013 and 29,194,761 in 2012	300	292
Additional paid-in capital	86,393	64,644
Retained earnings	293,754	286,735
Total shareholders' equity	380,447	351,671
Total liabilities and shareholders' equity	\$ 446,206	\$ 399,187

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, 2013	March 31, 2012
Operating revenue:		
Airport-to-airport	\$ 90,376	\$ 90,627
Logistics	22,972	21,313
Other	6,142	6,202
Pool distribution	22,070	18,939
Total operating revenue	141,560	137,081
Operating expenses:		
Purchased transportation		
Airport-to-airport	36,559	36,758
Logistics	16,309	15,716
Other	1,735	1,598
Pool distribution	6,396	5,126
Total purchased transportation	60,999	59,198
Salaries, wages and employee benefits	33,952	33,174
Operating leases	7,044	7,106
Depreciation and amortization	5,186	5,121
Insurance and claims	2,660	2,798
Fuel expense	3,008	2,541
Other operating expenses	12,921	10,354
Total operating expenses	125,770	120,292
Income from operations	15,790	16,789
Other income (expense):		
Interest expense	(128)	(51)
Other, net	32	17
Total other expense	(96)	(34)
Income before income taxes	15,694	16,755
Income taxes	4,839	6,482
Net income and comprehensive income	\$ 10,855	\$ 10,273
Net income per share:		
Basic	\$ 0.37	\$ 0.36
Diluted	\$ 0.36	\$ 0.35
Weighted average shares outstanding:		
Basic	29,511	28,692
Diluted	30,264	29,363
Dividends per share:	\$ 0.10	\$ 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, 2013	March 31, 2012
Operating activities:		
Net income	\$ 10,855	\$ 10,273
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	5,186	5,121
Share-based compensation	1,557	1,606
Loss on disposal of property and equipment	85	196
Provision for loss on receivables	301	110
Provision for revenue adjustments	499	427
Deferred income tax (benefit)	850	(804)
Excess tax benefit for stock options exercised	(2,238)	(204)
Changes in operating assets and liabilities		
Accounts receivable	2,011	(2,491)
Prepaid expenses and other current assets	(730)	(925)
Accounts payable and accrued expenses	2,228	4,646
Net cash provided by operating activities	<u>20,604</u>	<u>17,955</u>
Investing activities:		
Proceeds from disposal of property and equipment	164	205
Purchases of property and equipment	(12,182)	(13,098)
Acquisition of business, net of cash acquired	(45,219)	—
Other	(56)	(306)
Net cash used in investing activities	<u>(57,293)</u>	<u>(13,199)</u>
Financing activities:		
Payments of debt and capital lease obligations	(20,228)	(136)
Proceeds from exercise of stock options	17,960	8,192
Payments of cash dividends	(2,967)	(2,034)
Cash settlement of share-based awards for minimum tax withholdings	(866)	(386)
Excess tax benefit for stock options exercised	2,238	204
Net cash (used in) provided by financing activities	<u>(3,863)</u>	<u>5,840</u>
Net (decrease) increase in cash	(40,552)	10,596
Cash at beginning of period	112,182	58,801
Cash at end of period	<u>\$ 71,630</u>	<u>\$ 69,397</u>

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

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements
(In thousands, except share and per share data)
(Unaudited)
March 31, 2013

1. Basis of Presentation

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

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.

TQI is a provider of maximum security and temperature-controlled logistics services, primarily truckload services, to the pharmaceutical and life science industries. In addition to core pharmaceutical services, TQI provides truckload and less-than-truckload brokerage transportation services.

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 and nine months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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, 2012.

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

2. Acquisitions and Goodwill

Acquisition of TQI

On March 4, 2013, the Company entered into a Stock Purchase Agreement ("Agreement") with all of the shareholders of TQI to acquire 100% of the outstanding stock. Pursuant to the terms of the Agreement and concurrently with the execution of the Agreement, the Company acquired all of the outstanding capital stock of TQI in exchange for \$45,219 in net cash, \$20,113 in assumed debt and an available earn-out of \$5,000. The assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using the Company's cash on hand. Under the purchase agreement, \$4,500 of the purchase price was paid into an escrow account to protect the Company against potential unknown liabilities. The amount held in escrow will be remitted to the sellers on September 4, 2014.

Pursuant to the terms of the Agreement, the Company could pay the former shareholders of TQI additional cash consideration from \$0 to \$5,000 if certain earnings before interest, taxes, depreciation and amortization ("EBITDA") goals are exceeded. The ultimate payout is based on the level by which TQI operating results exceed specified thresholds as defined by the Agreement in both 2013 and 2014. The Company has recognized an estimated earn-out liability of \$874 based on the most probable outcomes

Forward Air Corporation
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(Unaudited)
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as of the acquisition date and March 31, 2013. The fair value of the earn-out liability (level 3) was estimated using an income approach based on the present value of probability-weighted amounts payable under a range of performance scenarios.

The Company incurred total transaction costs related to the acquisition of approximately \$863, which were expensed in the first quarter of fiscal 2013, in accordance with U.S. GAAP. These transaction costs were primarily included in "Other operating expenses" expense in the consolidated statements of comprehensive income.

The acquisition allows the Company to expand and diversify its complimentary truckload operations while maintaining its goal of offering high-value added services.

The following table presents the preliminary allocation of the TQI purchase price to the assets acquired and liabilities assumed based on their estimated fair values and resulting residual goodwill (in thousands):

	March 4, 2013
Tangible assets:	
Accounts receivable	\$ 5,641
Prepaid expenses and other current assets	1,805
Property and equipment	5,103
Other assets	728
Total tangible assets	13,277
Intangible assets:	
Non-compete agreements	470
Trade name	1,000
Customer relationships	22,300
Goodwill	44,528
Total intangible assets	68,298
Total assets acquired	81,575
Liabilities assumed:	
Current liabilities	3,808
Other liabilities	1,994
Debt	20,113
Deferred income taxes	10,441
Total liabilities assumed	36,356
Net assets acquired	\$ 45,219

The above estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the TQI acquisition date through the date of this filing. The Company is still in the process of finalizing the valuation of the assets acquired and the liabilities assumed as part of the acquisition. The acquired non-compete agreements and trade names are being amortized on straight-line basis over a 5 year life. Customer relationships acquired are being amortized on straight-line basis over a 15 year life.

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

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

Included in the assumed liabilities of TQI is a liability for unrecognized tax benefits for \$1,120. The liability is attributable to TQI not filing income tax returns in all jurisdictions in which it operated. The \$1,120 consists of unrecognized tax benefits of \$853 and related penalties and interest of \$174 and \$93, respectively. In accordance with the Agreement, the former shareholders of TQI have indemnified the Company against this tax exposure. As a result, the Company also recognized an offsetting receivable net of the estimated federal tax benefit for \$728.

The assets, liabilities, and operating results of TQI have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to a new TQI reportable segment. The results of TQI reflected in the Company's consolidated statements of comprehensive income for the quarter ended March 31, 2013 from the date of acquisition (March 4, 2013) is as follows (in thousands, except per share data):

	Since acquisition date to March 31, 2013	
Logistics revenue	\$	3,918
Operating income		195
Net income		128
Net income per share		
Basic		—
Diluted		—

The following unaudited pro forma information presents a summary of the Company's consolidated results of operations as if the TQI acquisition occurred as of January 1, 2012 (in thousands, except per share data).

	Three months ended		
	March 31,		
	2013	March 31, 2012	
Operating revenue	\$ 150,104	\$ 150,798	
Income from operations	16,099	17,789	
Net income	11,046	10,888	
Net income per share			
Basic	\$ 0.37	\$ 0.38	
Diluted	\$ 0.36	\$ 0.37	

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Goodwill

The following is a summary of the changes in goodwill for the three months ended March 31, 2013. All goodwill, except the goodwill assigned to TQI, is deductible for tax purposes.

	Forward Air		FASI		TQI		Total
	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	
Beginning balance, December 31, 2012	\$ 37,926	\$ —	\$ 12,359	\$ (6,953)	\$ —	\$ —	\$ 43,332
TQI acquisition	—	—	—	—	44,528	—	44,528
Ending balance, March 31, 2013	\$ 37,926	\$ —	\$ 12,359	\$ (6,953)	\$ 44,528	\$ —	\$ 87,860

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 Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, including goodwill. When performing the qualitative assessment, the Company considers the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, the Company believes it more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount the Company will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach. If a quantitative fair value estimation is required, the Company 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 inputs into the fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("the FASB Codification"). If this estimation of fair value indicates that impairment potentially exists, the Company will then measure the amount of the impairment, if any. Goodwill impairment exists when the 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.

3. 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 generally expire seven years from the grant date and typically vest ratably over a three-year period. The Company used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The weighted-average fair value of options granted and assumptions used to calculate their fair value during the three months ended March 31, 2013 and 2012 were as follows:

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	Three months ended	
	March 31, 2013	March 31, 2012
Expected dividend yield	1.2%	0.9%
Expected stock price volatility	43.7%	46.6%
Weighted average risk-free interest rate	0.9%	0.8%
Expected life of options (years)	5.3	4.2
Weighted average grant date fair value	\$ 13	\$ 13

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

	Three months ended March 31, 2013			
	Options (000)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (000)	Weighted- Average Remaining Contractual Term
Outstanding at December 31, 2012	2,874	\$ 26		
Granted	109	37		
Exercised	(722)	25		
Forfeited	—	—		
Outstanding at March 31, 2013	2,261	\$ 27	\$ 22,645	2.8
Exercisable at March 31, 2013	2,050	\$ 27	\$ 22,231	2.5

	Three months ended	
	March 31, 2013	March 31, 2012
Shared-based compensation for options	\$ 424	\$ 822
Tax benefit for option compensation	\$ 136	\$ 217
Unrecognized compensation cost for options, net of estimated forfeitures	\$ 2,488	\$ 3,265

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:

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	Three months ended March 31, 2013		
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Aggregate Grant Date Fair Value (000)
Outstanding and non-vested at December 31, 2012	168	\$ 33	
Granted	97	37	
Vested	(68)	37	
Forfeited	—	—	
Outstanding and non-vested at March 31, 2013	197	\$ 35	\$ 6,991

	Three months ended	
	March 31, 2013	March 31, 2012
Shared-based compensation for non-vested shares	\$ 743	\$ 445
Tax benefit for non-vested share compensation	\$ 284	\$ 174
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	\$ 6,398	\$ 5,319

Employee Activity - Performance Shares

In 2013 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, 2013	March 31, 2012
Expected stock price volatility	34.5%	40.8%
Weighted average risk-free interest rate	0.4%	0.4%

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

	Three months ended March 31, 2013		
	Performance Shares (000)	Weighted- Average Grant Date Fair Value	Aggregate Grant Date Fair Value (000)
Outstanding and non-vested at December 31, 2012	62	\$ 36	
Granted	26	40	
Vested	—	—	
Outstanding and non-vested at March 31, 2013	88	\$ 37	\$ 3,278

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	Three months ended	
	March 31, 2013	March 31, 2012
Shared-based compensation for performance shares	\$ 233	\$ 147
Tax benefit for performance share compensation	\$ 89	\$ 57
Unrecognized compensation cost for performance shares, net of estimated forfeitures	\$ 2,012	\$ 1,724

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:

	Three months ended March 31, 2013		
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Aggregate Grant Date Fair Value (000)
Outstanding and non-vested at December 31, 2012	20	\$ 32	
Granted	—	—	
Vested	—	—	
Outstanding and non-vested at March 31, 2013	20	\$ 32	\$ 640

	Three months ended	
	March 31, 2013	March 31, 2012
Shared-based compensation for non-vested shares	\$ 157	\$ 192
Tax benefit for non-vested share compensation	\$ 60	\$ 75
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	\$ 67	\$ 78

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, 2013, 26,250 options were outstanding and will expire between May 2014 and May 2015. At March 31, 2013, the weighted average exercise price per share and remaining contractual term for the outstanding options of non-employee directors were \$23 and 1.7 years, respectively.

4. 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 (1.3% at March 31, 2013). 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, 2013, the Company had no borrowings outstanding under the senior credit facility. At March 31, 2013, the Company had utilized \$10,556 of availability for outstanding letters of credit and had \$139,444 of available borrowing capacity outstanding under the senior credit facility.

Forward Air Corporation
Notes to Condensed Consolidated Financial Statements
(In thousands, except share and per share data)
(Unaudited)
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5. Net Income Per Share

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

	Three months ended	
	March 31, 2013	March 31, 2012
Numerator:		
Numerator for basic and diluted income per share - net income	\$ 10,855	\$ 10,273
Denominator (in thousands):		
Denominator for basic income per share - weighted-average shares	29,511	28,692
Effect of dilutive stock options (in thousands)	606	593
Effect of dilutive performance shares (in thousands)	53	37
Effect of dilutive non-vested shares and deferred stock units (in thousands)	94	41
Denominator for diluted income per share - adjusted weighted-average shares	30,264	29,363
Basic net income per share	\$ 0.37	\$ 0.36
Diluted net income per share	\$ 0.36	\$ 0.35

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

	Three months ended	
	March 31, 2013	March 31, 2012
Anti-dilutive stock options (in thousands)	\$ 150	\$ 189
Anti-dilutive performance shares (in thousands)	16	14
Anti-dilutive non-vested shares and deferred stock units (in thousands)	—	61
Total anti-dilutive shares (in thousands)	\$ 166	\$ 264

6. 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, 2013 and 2012, the effective income tax rates varied from the statutory federal income tax rate of 35.0%, primarily as a result of the effect of state income taxes, net of the federal benefit and permanent differences between book and tax net income. The combined federal and state effective tax rate for the three months ended March 31, 2013 was 30.8% compared to a rate of 38.7% for the same period in 2012. The reduction in the effective tax rate was primarily due to the 2013 retroactive reinstatement of alternative fuel tax credits for 2012 and benefits obtained from disqualified dispositions by employees of previously non-deductible incentive stock options.

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7. 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 65.6% of FASI's operating revenue for the three months ended March 31, 2013.

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:

	<u>March 31, 2013</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>
Other debt and capital leases	\$ 219	\$ 268

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

8. Shareholders' Equity

During the first and second quarters of 2012, the Company's Board of Directors declared a cash dividend of \$0.07 per share of common stock. During the third and fourth quarters of 2012 and the first quarter of 2013, the Company's Board of Directors declared a cash dividend of \$0.10 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.

9. 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.

Forward Air Corporation
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(In thousands, except share and per share data)
(Unaudited)
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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.

10. Segment Reporting

The Company operates in three reportable segments based on information available to and used by the chief operating decision maker. 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. TQI is a provider of maximum security and temperature-controlled logistics services, primarily truckload services, to the pharmaceutical and life science industries.

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 2012 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, 2013 and 2012.

Three months ended March 31, 2013

	Forward Air	FASI	TQI	Eliminations	Consolidated
External revenues	\$ 115,573	\$ 22,069	\$ 3,918	\$ —	\$ 141,560
Intersegment revenues	536	185	—	(721)	—
Depreciation and amortization	3,786	1,172	228	—	5,186
Share-based compensation expense	1,512	45	—	—	1,557
Interest expense	125	3	—	—	128
Interest income	11	—	—	—	11
Income tax expense (benefit)	5,054	(282)	67	—	4,839
Net income (loss)	11,217	(490)	128	—	10,855
Total assets	429,370	35,744	83,228	(102,136)	446,206
Capital expenditures	11,719	408	55	—	12,182

Three months ended March 31, 2012

	Forward Air	FASI	TQI	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

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 three principal segments: Forward Air, Inc. ("Forward Air"), Forward Air Solutions, Inc. ("FASI") and Total Quality, Inc. ("TQI").

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 88 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 24 cities.

TQI is a provider of maximum security and temperature-controlled logistics services, primarily truckload services, to the pharmaceutical and life science industries. In addition to core pharmaceutical services, TQI provides truckload and less-than-truckload brokerage transportation services.

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

Acquisition of TQI

On March 4, 2013, we entered into a Stock Purchase Agreement ("Agreement") with all of the shareholders of TQI to acquire 100% of the outstanding stock. Pursuant to the terms of the Agreement and concurrently with the execution of the Agreement, we acquired all of the outstanding capital stock of TQI in exchange for \$45.2 million in net cash, \$20.1 million in assumed debt and an available earn-out of \$5.0 million. The assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using the our cash on hand.

Pursuant to the terms of the Agreement, we could pay the former shareholders of TQI additional cash consideration from \$0 to \$5.0 million if certain earnings before interest, taxes, depreciation and amortization ("EBITDA") goals are exceeded. The ultimate payout is based on the level by which TQI operating results exceed specified thresholds as defined by the Agreement in both 2013 and 2014.

Results from Operations

During the three months ended March 31, 2013, we experienced a 3.3% increase in our consolidated revenues compared to the three months ended March 31, 2012. The increase in revenue is attributable to revenue from our newly acquired segment, TQI, and increased revenue from FASI. However, these increases were partially offset by declines in revenues from Forward Air. Since TQI's acquisition on March 4, 2013, TQI contributed \$3.9 million revenues and approximately \$0.2 million in operating income.

FASI revenue increased 16.1% but operating results decreased 33.3% for the three months ended March 31, 2013, compared to the same period in 2012. The FASI revenue increase was primarily the result of new business wins. While FASI revenue's increased operating results declined \$0.2 million for the three months ended March 31, 2013, compared to the three months ended March 31, 2012. The decline in operating results is the result of start up costs FASI incurred in preparation for the new business the largest

portion of which began in February 2013. Due to the timing of the new business, FASI did not scale down its operations after the fourth quarter peak season and consequently incurred higher losses in January and February than in the prior period.

Forward Air's revenue and operating results declined 1.9% and 5.7%, respectively, for the three months ended March 31, 2013, compared to the same period in 2012. These reductions were attributable to decreased business volumes for the airport-to-airport and TLX services. The decline in operating results was also due to \$0.9 million of transaction costs incurred for the TQI acquisition.

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. During the three months ended March 31, 2013, total net fuel surcharge revenue increased 13.7% as compared to the same period in 2012. The increase in net fuel surcharge revenue for the three months ended March 31, 2013 compared to the same period in 2012 was mostly due to the acquisition of TQI, higher average fuel prices and increased FASI business volumes.

Goodwill

In accordance with our accounting policy, we conducted our annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2012 and no impairment charges were required. As of March 31, 2013, the carrying value of goodwill related to the Forward Air, FASI and TQI segments was \$37.9 million, \$5.4 million and \$44.5 million, respectively. Based on our qualitative assessment of Forward Air we believed it was more likely than not that the fair value of the reporting unit continued to exceed the reporting unit's carrying value. During the second quarter of 2012, we prepared an estimation of the FASI reporting unit's fair value. The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. 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.

Results of Operations

The following table sets forth our consolidated historical financial data for the three months ended March 31, 2013 and 2012 (in millions):

	Three months ended			
	March 31, 2013	March 31, 2012	Change	Percent Change
Operating revenue	\$ 141.6	\$ 137.1	\$ 4.5	3.3 %
Operating expenses:				
Purchased transportation	61.0	59.2	1.8	3.0
Salaries, wages, and employee benefits	33.9	33.2	0.7	2.1
Operating leases	7.1	7.1	—	—
Depreciation and amortization	5.2	5.1	0.1	2.0
Insurance and claims	2.7	2.8	(0.1)	(3.6)
Fuel expense	3.0	2.5	0.5	20.0
Other operating expenses	12.9	10.4	2.5	24.0
Total operating expenses	125.8	120.3	5.5	4.6
Income from operations	15.8	16.8	(1.0)	(6.0)
Other expense:				
Interest expense	(0.1)	—	(0.1)	100.0
Total other expense	(0.1)	—	(0.1)	100.0
Income before income taxes	15.7	16.8	(1.1)	(6.5)
Income taxes	4.8	6.5	(1.7)	(26.2)
Net income	\$ 10.9	\$ 10.3	\$ 0.6	5.8 %

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The following table sets forth our historical financial data by segment for the three months ended March 31, 2013 and 2012 (in millions):

	Three months ended					
	March 31, 2013	Percent of Revenue	March 31, 2012	Percent of Revenue	Change	Percent Change
Operating revenue						
Forward Air	\$ 116.1	82.0 %	\$ 118.4	86.4 %	\$ (2.3)	(1.9)%
FASI	22.3	15.7	19.2	14.0	3.1	16.1
TQI	3.9	2.8	—	—	3.9	100.0
Intercompany eliminations	(0.7)	(0.5)	(0.5)	(0.4)	(0.2)	40.0
Total	141.6	100.0	137.1	100.0	4.5	3.3
Purchased transportation						
Forward Air	52.6	45.3	54.3	45.9	(1.7)	(3.1)
FASI	6.8	30.5	5.3	27.6	1.5	28.3
TQI	2.2	56.4	—	—	2.2	100.0
Intercompany eliminations	(0.6)	85.7	(0.4)	80.0	(0.2)	50.0
Total	61.0	43.1	59.2	43.2	1.8	3.0
Salaries, wages and employee benefits						
Forward Air	25.1	21.6	25.7	21.7	(0.6)	(2.3)
FASI	8.2	36.8	7.5	39.1	0.7	9.3
TQI	0.6	15.4	—	—	0.6	100.0
Total	33.9	23.9	33.2	24.2	0.7	2.1
Operating leases						
Forward Air	5.1	4.4	5.1	4.3	—	—
FASI	2.0	9.0	2.0	10.4	—	—
TQI	—	—	—	—	—	—
Total	7.1	5.0	7.1	5.2	—	—
Depreciation and amortization						
Forward Air	3.8	3.3	4.0	3.4	(0.2)	(5.0)
FASI	1.2	5.4	1.1	5.7	0.1	9.1
TQI	0.2	5.1	—	—	0.2	100.0
Total	5.2	3.7	5.1	3.7	0.1	2.0
Insurance and claims						
Forward Air	1.9	1.6	2.1	1.8	(0.2)	(9.5)
FASI	0.7	3.1	0.7	3.6	—	—
TQI	0.1	2.6	—	—	0.1	100.0
Total	2.7	1.9	2.8	2.0	(0.1)	(3.6)
Fuel expense						
Forward Air	1.0	0.9	1.1	0.9	(0.1)	(9.1)
FASI	1.6	7.2	1.4	7.3	0.2	14.3
TQI	0.4	10.3	—	—	0.4	100.0
Total	3.0	2.1	2.5	1.8	0.5	20.0
Other operating expenses						
Forward Air	10.2	8.8	8.7	7.3	1.5	17.2
FASI	2.6	11.6	1.8	9.4	0.8	44.4
TQI	0.2	5.1	—	—	0.2	100.0
Intercompany eliminations	(0.1)	14.3	(0.1)	20.0	—	—
Total	12.9	9.1	10.4	7.6	2.5	24.0
Income (loss) from operations						
Forward Air	16.4	14.1	17.4	14.7	(1.0)	(5.7)
FASI	(0.8)	(3.6)	(0.6)	(3.1)	(0.2)	33.3
TQI	0.2	5.1	—	—	0.2	100.0
Total	\$ 15.8	11.2 %	\$ 16.8	12.3 %	\$ (1.0)	(6.0)%

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The following table presents the components of the Forward Air segment's operating revenue and purchased transportation for the three months ended March 31, 2013 and 2012 (in millions):

	Three months ended					
	March 31, 2013	Percent of Revenue	March 31, 2012	Percent of Revenue	Change	Percent Change
Forward Air revenue						
Airport-to-airport	\$ 90.6	78.0%	\$ 90.8	76.7%	\$ (0.2)	(0.2)%
Logistics	19.2	16.5	21.4	18.1	(2.2)	(10.3)
Other	6.3	5.5	6.2	5.2	0.1	1.6
Total	\$ 116.1	100.0%	\$ 118.4	100.0%	\$ (2.3)	(1.9)%
Forward Air purchased transportation						
Airport-to-airport	\$ 36.7	40.5%	\$ 36.9	40.6%	\$ (0.2)	(0.5)%
Logistics	14.2	74.0	15.8	73.8	(1.6)	(10.1)
Other	1.7	27.0	1.6	25.8	0.1	6.3
Total	\$ 52.6	45.3%	\$ 54.3	45.9%	\$ (1.7)	(3.1)%

Three Months Ended March 31, 2013 compared to Three Months Ended March 31, 2012

Revenues

Operating revenue increased by \$4.5 million, or 3.3%, to \$141.6 million for the three months ended March 31, 2013 from \$137.1 million in the same period of 2012.

Forward Air

Forward Air operating revenue decreased \$2.3 million, or 1.9%, to \$116.1 million from \$118.4 million, accounting for 82.0% of consolidated operating revenue for the three months ended March 31, 2013 compared to 86.4% for the same period in 2012. Airport-to-airport revenue, which is the largest component of our consolidated operating revenue, decreased \$0.2 million, or 0.2%, to \$90.6 million from \$90.8 million, accounting for 78.0% of the segment's operating revenue during the three months ended March 31, 2013 compared to 76.7% during the three months ended March 31, 2012. The decrease in revenue was attributable to reduced tonnage net of improved linehaul pricing and increased Complete and net fuel surcharge revenue. A 3.8% decrease in tonnage net of an increase in our base revenue per pound, excluding net fuel surcharge revenue and Complete revenue, accounted for \$1.0 million of the decrease 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 2.6% for the three months ended March 31, 2013 versus the three months ended March 31, 2012. Average base revenue per pound increased as a result of a general rate increase that we implemented in September 2012. 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. Complete revenue increased \$0.5 million, or 4.7%, during the three months ended March 31, 2013 compared to the same period of 2012. The increase in Complete revenue was attributable to improved pricing net of decreased utilization of the Complete service. The changes in Complete pricing and utilization were largely attributable to a shift in airport-to-airport customer mix during the three months ended March 31, 2013 compared to the same period in 2012. Net fuel surcharge revenue increased \$0.3 million and 3.3% during the three months ended March 31, 2013 compared to the same period in 2012. Net fuel surcharge revenue increased on higher rates charged to customers in conjunction with higher year-over-year average diesel prices for most of the first quarter of 2013, net of reduced airport-to-airport business volumes.

Logistics revenue, which is primarily TLX, decreased \$2.2 million, or 10.3%, to \$19.2 million in the first quarter of 2013 from \$21.4 million in the same period of 2012. TLX revenue, which is priced on a per mile basis, decreased \$1.6 million as miles driven to support our TLX revenue and revenue per mile decreased by approximately 5.9% and 2.8%, respectively, during the three months ended March 31, 2013 compared to the same period in 2012. The change in miles and average revenue per mile is mainly attributable to the loss of a TLX customer during 2012 and the resulting change in customer mix. The remaining \$0.6 million decrease in logistics revenue was attributable to other non-mileage based services which have been impacted by the change in customer mix.

Other revenue, which includes warehousing services and terminal handling, accounted for the final component of Forward Air operating revenue. Other revenue increased \$0.1 million, or 1.6%, to \$6.3 million in the first quarter of 2013 from \$6.2 million in the same period of 2012. The increase in revenue was mainly attributable to container handling services performed at certain terminals.

FASI

FASI operating revenue increased \$3.1 million, or 16.1%, to \$22.3 million for the three months ended March 31, 2013 from \$19.2 million for the same period in 2012. The increase in revenue was attributable to new business wins, primarily from one new customer, during the fourth quarter of 2012 and the three months ended March 31, 2013. The latest new business began in late February 2013, and required the setup of three new agent stations and two new service centers.

TQI

TQI operating revenue of \$3.9 million represents temperature-controlled truckload and less-than-truckload services earned from the acquisition date of March 4, 2013 through March 31, 2013.

Intercompany Eliminations

Intercompany eliminations increased \$0.2 million, or 40.0%, to \$0.7 million in the first quarter of 2013 from \$0.5 million in the same period of 2012. 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, 2013 and 2012.

Purchased Transportation

Purchased transportation increased by \$1.8 million, or 3.0%, to \$61.0 million in the first quarter of 2013 from \$59.2 million in the same period of 2012. As a percentage of total operating revenue, purchased transportation was 43.1% during the three months ended March 31, 2013 compared to 43.2% for the same period in 2012.

Forward Air

Forward Air's purchased transportation decreased by \$ 1.7 million, or 3.1%, to \$52.6 million for the three months ended March 31, 2013 from \$54.3 million for the three months ended March 31, 2012. The decrease in purchased transportation is primarily attributable to a 2.4% decrease in miles driven and a 0.7% decrease in the total cost per mile for the first quarter of 2013 versus the same period in 2012. As a percentage of segment operating revenue, Forward Air purchased transportation was 45.3% during the three months ended March 31, 2013 compared to 45.9% for the same period in 2012.

Purchased transportation costs for our airport-to-airport network decreased \$0.2 million, or 0.5%, to \$36.7 million for the three months ended March 31, 2013 from \$36.9 million for the three months ended March 31, 2012. For the three months ended March 31, 2013, purchased transportation for our airport-to-airport network decreased to 40.5% of airport-to-airport revenue from 40.6% for the same period in 2012. The \$0.2 million decrease is partially attributable to a 0.7% decrease in miles driven by our network of owner-operators or third party transportation providers and a 1.1% decrease in the cost per mile paid to our network of owner-operators or third party transportation providers. The decrease in miles reduced purchased transportation by \$0.2 million while the lower cost per mile decreased purchased transportation by \$0.3 million. Miles driven by our network of owner-operators or third party transportation providers decreased in conjunction with the reduction in business volumes discussed above. The cost per mile decrease was attributable to lower rates per mile charged from third party transportation providers and reduced utilization of more costly third party transportation providers as opposed to our network of owner-operators. These decreases were partially offset by a \$0.3 million increase in third party transportation costs associated with the Complete shipments discussed above.

Purchased transportation costs for our logistics revenue decreased \$1.6 million, or 10.1%, to \$14.2 million for the three months ended March 31, 2013 from \$15.8 million for the three months ended March 31, 2012. For the three months ended March 31, 2013, logistics' purchased transportation costs represented 74.0% of logistics revenue compared to 73.8% for the same period in 2012. The decrease in logistics' purchased transportation was mostly attributable to a \$1.2 million decrease in TLX purchased transportation. Miles driven to support our TLX revenue decreased 5.9% and our TLX cost per mile decreased 2.7% during the three months ended March 31, 2013 compared to the same period in 2012. The improvement in cost per mile was mostly attributable to lower rates per mile charged from third party transportation providers. The remaining \$0.4 million decline in logistics purchased transportation was attributable to other non-mileage based costs, such as drayage services.

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Purchased transportation costs related to our other revenue increased \$0.1 million, or 6.3%, to \$1.7 million for the three months ended March 31, 2013 from \$1.6 million for the three months ended March 31, 2012. Other purchased transportation costs as a percentage of other revenue increased to 27.0% of other revenue for the three months ended March 31, 2013 from 25.8% for the same period in 2012. Other purchased transportation increased as a percentage of the associated revenue as certain airport-to-airport linehaul business required the use of local pick-up and delivery services. This new business required us to incur other purchased transportation costs without direct corresponding other revenue.

FASI

FASI purchased transportation increased \$1.5 million, or 28.3%, to \$6.8 million for the three months ended March 31, 2013 from \$5.3 million for the three months ended March 31, 2012. FASI purchased transportation as a percentage of revenue was 30.5% for the three months ended March 31, 2013 compared to 27.6% for the three months ended March 31, 2012. The increase in FASI purchased transportation in total dollars and as a percentage of revenue was mostly attributable to the new business discussed above having an increased linehaul component which increased the utilization of owner-operators and third-party transportation providers.

TQI

TQI purchased transportation of \$2.2 million, or 56.4% of revenue, represents costs associated with payments to owner operators and third party transportation providers for services performed from the acquisition date of March 4, 2013 through March 31, 2013.

Intercompany Eliminations

Intercompany eliminations increased to \$0.6 million for the three months ended March 31, 2013 from \$0.4 million for the same period in 2012. 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, 2013.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits increased by \$0.7 million, or 2.1%, to \$33.9 million in the first quarter of 2013 from \$33.2 million in the same period of 2012. As a percentage of total operating revenue, salaries, wages and employee benefits was 23.9% during the three months ended March 31, 2013 compared to 24.2% for the same period in 2012.

Forward Air

Salaries, wages and employee benefits of Forward Air decreased by \$0.6 million, or 2.3%, to \$25.1 million in the first quarter of 2013 from \$25.7 million in the same period of 2012. Salaries, wages and employee benefits were 21.6% of Forward Air's operating revenue in the first quarter of 2013 compared to 21.7% for the same period of 2012. The decrease in salaries, wages and employee benefits in total dollars was due to reductions in employee incentives. Accruals for employee incentives decreased approximately \$0.6 million, or 0.5% as percentage of revenue, as incentives were reduced in conjunction with Forward Air not meeting first quarter earnings and performance goals. As a percentage of revenue the incentive reduction was mostly offset by salary and wages paid increasing 0.4% as a percentage of revenue largely due to annual pay increases initiated in 2012.

While not significant to the three months ended March 31, 2013, we have seen workers' compensation claims increase compared to prior claim periods. As a result, we anticipate that the second quarter actuary analysis of our worker's compensation loss reserve will not result in a significant reserve reduction similar to the second quarters of 2012 and 2011.

FASI

FASI salaries, wages and employee benefits increased \$0.7 million, or 9.3%, to \$8.2 million for the three months ended March 31, 2013 compared to \$7.5 million for the three months ended March 31, 2012. As a percentage of FASI operating revenue, salaries, wages and benefits decreased to 36.8% for the three months ended March 31, 2013 compared to 39.1% for the same period in 2012. The increase in salaries, wages and employee benefits in total dollars is largely due to the increase in wages and benefits which increased in conjunction with the revenue volume increases discussed previously. The decline as a percentage of revenue is largely attributable to improved leverage on fixed salaries and benefits as a result of the increased revenue volumes discussed above.

Despite the improvement as percentage of revenue FASI salaries, wages and benefits were adversely impacted by the new business start up in late February 2013. Due to the anticipated volumes from the new business FASI maintained higher headcount, primarily of driver personnel, during January and February which resulted in approximately \$0.1 million of additional costs during the first quarter of 2013.

TQI

TQI salaries, wages and employee benefits were \$0.6 million, or 15.4% of revenue, for the three months ended March 31, 2013, and represent salaries and wages for company-employed drivers, other operations personnel and TQI management since the acquisition on March 4, 2013 through March 31, 2013.

Operating Leases

Operating leases were \$7.1 million in the first quarters of 2013 and 2012. Operating leases, the largest component of which is facility rent, were 5.0% of consolidated operating revenue for the three months ended March 31, 2013 compared with 5.2% in the same period of 2012.

Forward Air

Operating leases were \$5.1 million in the first quarters of 2013 and 2012. Operating leases were 4.4% of Forward Air operating revenue for the three months ended March 31, 2013 compared with 4.3% in the same period of 2012. The increase as a percentage of revenue is attributable to the decline in Forward Air revenue for the three months end March 31, 2013 compared to the same period in 2012.

FASI

FASI operating lease expenses were \$2.0 million for the three months ended March 31, 2013 and 2012. Operating leases were 9.0% of FASI operating revenue for the three months ended March 31, 2013 compared with 10.4% in the same period of 2012. The decrease as a percentage of revenue is attributable to the increase in FASI revenue for the three months end March 31, 2013 compared to the same period in 2012. FASI also incurred approximately \$0.1 million of additional trailer rentals to aid in the transition of the new business. However, these trailers rentals were offset by a \$0.1 million decline in facility rentals as we relocated certain facilities to less costly facilities. Further, FASI facility leases did not increase as new locations opened in conjunction with the new business were either agent stations or service centers operated within a customer's facility.

TQI

Operating lease expense for TQI was less than \$0.1 million as currently TQI does not utilize leased or rented equipment and only leases one facility for its headquarters.

Depreciation and Amortization

Depreciation and amortization increased \$0.1 million, or 2.0%, to \$5.2 million for the three months ended March 31, 2013 from \$5.1 million for the same period in 2012. Depreciation and amortization was 3.7% of consolidated operating revenue for the three months ended March 31, 2013 and March 31, 2012.

Forward Air

Depreciation and amortization decreased \$0.2 million, or 5.0%, to \$3.8 million in the first quarter of 2013 from \$4.0 million in the same period of 2012. Depreciation and amortization expense as a percentage of Forward Air operating revenue was 3.3% in the first quarter of 2013 compared to 3.4% in the same period of 2012. The decrease is primarily attributable to older trailers becoming fully depreciated during 2012. These older trailers are being replaced with new trailers throughout 2013.

FASI

FASI depreciation and amortization increased \$0.1 million, or 9.1%, to \$1.2 million for the three months ended March 31, 2013 from \$1.1 million for the same period in 2012. Depreciation and amortization expense as a percentage of FASI operating revenue was 5.4% in the first quarter of 2013 compared to 5.7% in the same period of 2012. The increase in FASI depreciation and amortization is largely due to new vehicles purchased during Q1 2013 to service the new business discussed above.

TQI

TQI depreciation and amortization of \$0.2 million, or 5.1% of revenue, represents \$0.1 million of depreciation on acquired equipment and \$0.1 million of amortization on acquired intangible assets since the acquisition of TQI on March 4, 2013.

Insurance and Claims

Insurance and claims expense decreased \$0.1 million, or 3.6%, to \$2.7 million for the three months ended March 31, 2013 from \$2.8 million for the three months ended March 31, 2012. Insurance and claims were 1.9% of consolidated operating revenue for the three months ended March 31, 2013 compared with 2.0% for the same period in 2012.

Forward Air

Forward Air insurance and claims expense decreased \$0.2 million, or 9.5%, to \$1.9 million for the three months ended March 31, 2013 from \$2.1 million for the three months ended March 31, 2012. The decrease in Forward Air insurance and claims was driven by a \$0.1 million decrease in cargo claims and a \$0.1 million decrease in vehicle claims and associated legal fees.

FASI

FASI insurance and claims expense were \$0.7 million for the three months ended March 31, 2013 and 2012. FASI insurance and claims remained consistent as a \$0.1 million improvement in cargo claims was offset by a \$0.1 million increase in vehicle accident damage repairs.

TQI

TQI insurance and claims of \$0.1 million, or 2.6% of revenue, represents the cost of insurance premiums since the TQI acquisition on March 4, 2013 through March 31, 2013.

Fuel Expense

Fuel expense increased \$0.5 million, or 20.0%, to \$3.0 million in the first quarter of 2013 from \$2.5 million in the same period of 2012. Fuel expense was 2.1% of consolidated operating revenue for the three months ended March 31, 2013 compared with 1.8% for the same period in 2012.

Forward Air

Fuel expense decreased \$0.1 million, or 9.1%, to \$1.0 million in the first quarter of 2013 from \$1.1 million in the same period of 2012. Fuel expense was 0.9% of Forward Air operating revenue in the first quarter of 2013 and 2012.

FASI

FASI fuel expense increased \$0.2 million, or 14.3%, to \$1.6 million for the first quarter of 2013 from \$1.4 million in the same period of 2012. Fuel expenses were 7.2% of FASI operating revenue in the first quarter of 2013 compared to 7.3% in the first quarter of 2012. FASI fuel expenses grew on increased mileage associated with the higher revenue volumes discussed previously and higher average fuel costs. These increases were partially offset by increased utilization of owner-operators and third party transportation providers as opposed to company-owned or leased equipment.

TQI

TQI fuel expense was \$0.4 million, or 10.3% of revenue, and represents fuel expense incurred since the acquisition of TQI on March 4, 2013 through March 31, 2013. TQI fuel expense is significantly higher as a percentage of operating revenue than Forward Air and FASI's fuel expense, as TQI utilizes a higher ratio of company-employed drivers and company-owned vehicles in its operations.

Other Operating Expenses

Other operating expenses increased \$2.5 million, or 24.0%, to \$12.9 million in the first quarter of 2013 from \$10.4 million in the same period of 2012. Other operating expenses were 9.1% of consolidated operating revenue for the three months ended March 31, 2013 compared with 7.6% in the same period of 2012.

Forward Air

Other operating expenses increased \$1.5 million, or 17.2%, to \$10.2 million during the three months ended March 31, 2013 from \$8.7 million in the same period of 2012. Other operating expenses were 8.8% of Forward Air operating revenue in the first quarter of 2013 compared to 7.3% in the same period of 2012. The increase in other operating expenses as a percentage of revenue and total dollars was attributable to \$0.9 million of transactions costs incurred for the acquisition of TQI, \$0.3 million incurred for a national corporate meeting during the first quarter of 2013, \$0.2 million of bad debt expense and \$0.3 million of increased legal and professional fees. Bad debt expense increased due to a reserve for a specific account we believe to be uncollectible. Legal and professional fees increased on fees associated with researching the impact of the Affordable Care Act and monitoring our new wellness program.

FASI

FASI other operating expenses increased \$0.8 million, or 44.4%, to \$2.6 million for the three months ended March 31, 2013 compared to \$1.8 million for the same period in 2012. FASI other operating expenses for the first quarter of 2013 were 11.6% of the segment's operating revenue compared to 9.4% for the same period in 2012. The increase in FASI's other operating expenses in terms of total dollars, was driven by a \$0.5 million increase in agent station costs and higher variable dock and maintenance costs in conjunction with the increased revenue volumes discussed previously. As noted above, we opened additional agent stations to service the new business initiated during February 2013. Other operating expenses also includes approximately \$0.1 million of start up costs associated with preparing our stations and the agent stations for this new business. The fees paid to these agents and the start up costs for the new business drove the increase in operating expenses as a percentage of revenue.

TQI

TQI other operating expenses were \$0.2 million, or 5.1% of revenue, and represent costs such as vehicle maintenance and miscellaneous office and administrative expenses incurred since the acquisition of TQI on March 4, 2013 through March 31, 2013.

Intercompany Eliminations

Intercompany eliminations were \$0.1 million in the first quarters of 2013 and 2012. These intercompany eliminations are the result of handling services Forward Air and FASI provided each other during the three months ended March 31, 2013 and 2012.

Results from Operations

Income from operations decreased by \$1.0 million, or 6.0%, to \$15.8 million for the first quarter of 2013 compared to \$16.8 million in the same period of 2012. Income from operations was 11.2% of consolidated operating revenue for the three months ended March 31, 2013 compared with 12.3% in the same period of 2012.

Forward Air

Income from operations decreased by \$1.0 million, or 5.7%, to \$16.4 million for the first quarter of 2013 compared with \$17.4 million for the same period in 2012. Income from operations as a percentage of Forward Air operating revenue was 14.1% for the three months ended March 31, 2013 compared with 14.7% in the same period of 2012. The decrease in income from operations was primarily the result of declining airport-to-airport and TLX business volumes and transaction costs incurred with the acquisition of TQI.

FASI

FASI's loss from operations deteriorated approximately \$0.2 million to an operating loss of \$0.8 million for the three months ended March 31, 2013 from a \$0.6 million loss from operations during the three months ended March 31, 2012. The deterioration is primarily due to start up costs and operational inefficiencies associated with new business started during the three months ended March 31, 2013.

TQI

TQI income from operations was \$0.2 million, or 5.1% of revenue, since the acquisition of TQI on March 4, 2013 through March 31, 2013.

Interest Expense

Interest expense was \$0.1 million for the three months ended March 31, 2013. Increase is primarily a full quarter of fees associated with our line of credit.

Income Taxes

The combined federal and state effective tax rate for the first quarter of 2013 was 30.8% compared to a rate of 38.7% for the same period in 2012. The reduction in our effective tax rate was primarily due to the 2013 retroactive reinstatement of alternative fuel tax credits for 2012 and benefits obtained from disqualified dispositions by employees of previously non-deductible incentive stock options.

Net Income

As a result of the foregoing factors, net income increased by \$0.6 million, or 5.8%, to \$10.9 million for the first quarter of 2013 compared to \$10.3 million for the same period in 2012.

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 2012 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 2012 Annual Report on Form 10-K.

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 \$20.6 million for the three months ended March 31, 2013 compared to approximately \$18.0 million for the three months ended March 31, 2012. The \$2.6 million increase in cash provided by operating activities is mainly attributable to a \$4.5 million increase in cash collected from accounts receivable and a \$0.3 million increase in net earnings after consideration of non-cash items. These increases were partially offset by a \$2.2 million increase in cash used to funds accounts payable and prepaid assets.

Net cash used in investing activities was approximately \$57.3 million for the three months ended March 31, 2013 compared with approximately \$13.2 million used in investing activities during the three months ended March 31, 2012. Investing activities during the three months ended March 31, 2013 consisted primarily of \$45.2 million used to acquire TQI and capital expenditures of \$12.2 million for new trailers, vehicles and forklifts to replace aging units. The proceeds from disposal of property and equipment during the three months ended March 31, 2013 and 2012 were primarily from sales of older trailers and vehicles.

Net cash used in financing activities totaled approximately \$3.9 million for the three months ended March 31, 2013 compared with approximately \$5.8 million provided by financing activities during the three months ended March 31, 2012. The decrease in cash from financing activities is mainly attributable to the settlement of the \$20.1 million in debt assumed with the acquisition of TQI. Also decreasing cash from financing was a \$0.9 million increase in dividend payments and \$0.5 million increase in cash settlements of share-based awards to settle minimum tax withholdings. Dividends increased on new shares issued through stock option exercises and during the third quarter of 2012 our Board of the Directors increasing the quarterly cash dividend from our historic \$0.07 per share to \$0.10 per share. Partially offsetting these increases in the uses of cash was an \$11.8 million increase in cash received from the exercise of stock options and the related income tax benefit.

In February 2012, we entered into a \$150.0 million credit facility. This facility has a term of five years and matures in February 2017. Interest rates for advances under the facility are LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings (1.3% at March 31, 2013). The agreement contains certain covenants and restrictions related to new indebtedness, investment types and dispositions of property. None of the covenants are expected to significantly affect our operations or ability to pay dividends. No assets are pledged as collateral against the credit facility. As of March 31, 2013, we had no borrowings outstanding under the credit facility. At March 31, 2013, we had utilized \$10.6 million of availability for outstanding letters of credit and had \$139.4 million of available borrowing capacity under this 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, 2013, 815,059 shares remain that may be repurchased under the Repurchase Plan.

During the first and second quarters of 2012, our Board of Directors declared a cash dividend of \$0.07 per share of common stock. During the first quarter of 2013 and the third and fourth quarters of 2012, our Board of Directors declared a cash dividend of \$0.10 per share. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by our Board of Directors.

We believe that our available cash, investments, expected cash generated from future operations and borrowings under the available 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, 2012.

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.

The SEC's general guidance permits the exclusion of an assessment of the effectiveness of a registrant's disclosure controls and procedures as they relate to its internal controls over financial reporting for an acquired business during the first year following such acquisition, if among other circumstances and factors there is not adequate time between the acquisition date and the date of assessment. As previously disclosed, the Company completed its acquisition of TQI Holdings, Inc. (“TQI”) on March 4, 2013. TQI represents approximately 18.7% percent of the Company's total assets as of March 31, 2013. Management's assessment and conclusion on the effectiveness of the Company's disclosure controls and procedures as of March 31, 2013 excluded an assessment of the internal control over financial reporting of TQI.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended March 31, 2013 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 2012 Annual Report on Form 10-K. There have been no changes in the nature of these factors since December 31, 2012.

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, 2013.

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	Forward Air Corporation Amended and Restated Stock Option and Incentive Plan, as further and amended and restated on February 7, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 13, 2013 (File No. 0-22490))
10.2	Form of Performance Share Agreement for performance shares granted in February 2013, under the registrant’s Amended and Restated Stock Option and Incentive Plan
10.3	Form of Restricted Stock Agreement for an award granted in February 2013, under the registrant’s Amended and Restated Stock Option and Incentive Plan
10.4	Form of Non-Qualified Stock Option Agreement for an award granted in February 2013, under the registrant’s Amended and Restated Stock Option and Incentive Plan
10.5	Amended and Restated Non-Employee Director Stock Plan, as further amended and restated on February 8, 2013
10.6	Stock Purchase Agreement dated March 4, 2013, by and among Forward Air Corporation, TQI Holdings, Inc. and the sellers named therein. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2013 (File No. 0-22490))
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 25, 2013

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:	_____	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> Three-year period beginning on the Grant Date and ending on the third anniversary of the Grant Date (_____ - _____)		
Performance Period:			
Performance Share Vesting Date:	The 30th day after the last day of the Performance Period, except as otherwise provided by the Agreement. <u>Provided that the Participant's Service has not terminated prior to the Performance Share Vesting Date, except as provided by the Agreement, on the Performance Share Vesting Date the number of Vested Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by multiplying the Target Number of Performance Shares by the Appreciation Multiplier (as defined by the Agreement).</u>		
Vested Performance Shares:			
Settlement Date:	The Performance Share Vesting Date, except as otherwise provided by the Agreement. The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.		
Recoupment Policy:			

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

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

9. **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.

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

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

{Glossary begins on next page}

GLOSSARY

(a) "**Affiliate**" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with Forward Air Corporation (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}

RESTRICTED STOCK AGREEMENT

FORWARD AIR CORPORATION AMENDED AND RESTATED STOCK OPTION AND INCENTIVE PLAN

GRANTEE: _____

NO. OF SHARES: _____

This Agreement (the "**Agreement**") evidences the award of _____ restricted shares (each, an "**Award Share**," and collectively, the "**Award Shares**") of the Common Stock of Forward Air Corporation, a Tennessee corporation (the "**Company**"), granted to you, _____, effective as of _____, 20__ (the "**Grant Date**"), pursuant to the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (the "**Plan**") and conditioned upon your agreement to the terms described below. All of the provisions of the Plan are expressly incorporated into this Agreement.

1. Terminology. Capitalized words used in this Agreement not defined above are defined in the Glossary at the end of this Agreement.

2. Vesting.

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

(b) So long as your Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, one-third (1/3rd) of the Award Shares will vest and become nonforfeitable on each anniversary of the Grant Date, such that 100% of the Award Shares will be vested and nonforfeitable on the third anniversary of the Grant Date.

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

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

(e) To the extent not earlier vested or forfeited, all of the Award Shares will become vested and nonforfeitable upon the occurrence of a Change in Control.

3. Termination of Employment or Service.

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

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

orders, all in your name and on your behalf. You hereby ratify and approve all acts done by the Company as such attorney-in-fact. Without limiting the foregoing, you expressly acknowledge and agree that any transfer agent for the Common Stock of the Company is fully authorized and protected in relying on, and shall incur no liability in acting on, any documents, instruments, endorsements, instructions, orders or communications from the Company in connection with the forfeited Award Shares or the transfer thereof, and that any such transfer agent is a third party beneficiary of this Agreement.

4. Restrictions on Transfer.

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

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

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

6. Tax Election and Tax Withholding.

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

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

7. Adjustments for Corporate Transactions and Other Events

(a) Stock Dividend, Stock Split and Reverse Stock Split Upon a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, the number of Award Shares and the number of such Award Shares that are nonvested and forfeitable shall, without further action of the Committee, be adjusted to reflect such event. Fractional shares that result from such adjustments shall be eliminated. Adjustments under this [Section 7](#) will be made

by the Committee, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive.

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

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

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

10. Non-Guarantee of Employment or Service Relationship. Nothing in the Plan or this Agreement shall alter your at-will or other employment status or other service relationship with the Company, nor be construed as a contract of employment or service relationship between the Company and you, or as a contractual right of you to continue in the employ of, or in a service relationship with, the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any Award Shares or any other adverse effect on your interests under the Plan.

11 . Rights as Stockholder. Except as otherwise provided in this Agreement with respect to the nonvested and forfeitable Award Shares, you will possess all incidents of ownership of the Award Shares, including the right to vote the Award Shares and receive dividends and/or other distributions declared on the Award Shares.

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

13. Notices. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Committee, care of the Company for the attention of its Corporate Secretary at its principal executive office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

14. Electronic Delivery of Documents. The Company may electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Award Shares, any amendments to the Agreement, and any reports of the Company provided generally to the Company's stockholders. You may receive from the Company, at no cost to you, a paper copy of any electronically delivered documents. Requests should be made to the Secretary of the Company at 430 Airport Road, Greeneville, Tennessee 37745 (Telephone: (423) 636 7000).

15. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the Award Shares granted hereunder. Any oral or written agreements, representations, warranties, written inducements, or other communications made prior to the execution of this Agreement with respect to the Award Shares granted hereunder shall be void and ineffective for all purposes.

16. Amendment. This Agreement may be amended from time to time by the Committee in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Award Shares as determined in the discretion of the Committee, except as provided in the Plan or in a written document signed by each of the parties hereto.

17. Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in this Agreement or any matters as to which this Agreement is silent, the Plan shall govern. A copy of the Plan is available upon request to the Committee.

18. Governing 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.

19. Headings. The headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

20. Counterparts. This Agreement 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 appears 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) “**Cause**” means a felony conviction of you or the failure of you to contest prosecution for a felony, or your 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.

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

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

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

(f) “**Disability**” shall mean a disability as determined under procedures established by the Committee for purposes of the Plan.

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

(h) “**You**”; “**Your**”. You means the recipient of the Award Shares as reflected in the first paragraph of this Agreement. Whenever the word “you” or “your” is used in any provision of this Agreement under circumstances where the provision should logically be construed, as determined by the Committee, to apply to the estate, personal representative, or beneficiary to whom the Award Shares may be transferred by will or by the laws of descent and distribution, the words “you” and “your” shall be deemed to include such person.

{End of Agreement; Signature page follows. }

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer.

FORWARD AIR CORPORATION

By: _____

Date: _____

The undersigned hereby acknowledges that he/she has carefully read this Agreement and agrees to be bound by all of the provisions set forth herein.

WITNESS: GRANTEE

Date: _____

Enclosure: Prospectus for the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan



_____, 20__

Nonqualified Stock Option Agreement

To the Optionee (the "Optionee") executing the reference and signature page(s) (the "Signature Page") to this Nonqualified Stock Option Agreement (this "Agreement").

Dear Optionee:

This Agreement sets forth the terms under which Forward Air Corporation, a Tennessee corporation (the "Company"), has awarded you an option to purchase shares of the \$0.01 par value common stock of the Company (the "Common Stock"). This Agreement, along with the Company's Amended and Restated Stock Option and Incentive Plan (the "Plan"), as amended, which is incorporated herein by reference, Plan Prospectus, Insider Trading Policy and such additional documents as are furnished by the Company with this Agreement, constitute the terms and conditions governing the grant of options hereunder. Terms not otherwise defined herein shall have the meanings set forth in the Plan.

This will confirm the agreement between the Company and the Optionee as follows:

1. Grant of Option. Pursuant to the Plan, the Company grants to the Optionee the right and option (the "Option") to purchase all or any part of the number of shares of Common Stock set forth on the Signature Page (the "Shares"). The Option is a nonqualified stock option that is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and this Agreement shall be so construed. The Company does not warrant any particular tax consequences of the Option.

2. Option Price. The option price per Share shall be the "Option Price per Share" as set forth on the Signature Page (the "Option Price"), representing one hundred percent (100%) of the Fair Market Value of a share of Common Stock as determined pursuant to the Plan as of the Grant Date set forth on the Signature Page.

3. Term of Option. The term of the Option shall commence on the Grant Date and all rights to purchase Shares hereunder shall cease at 11:59 p.m. on the Expiration Date set forth on the Signature Page, subject to earlier termination as provided in the Plan and this Agreement. Except as may otherwise be provided in the Plan or this Agreement, the Option granted hereunder may be cumulative and exercised as follows:

(a) Subject to the terms and conditions of the Plan and this Agreement, the Option shall become vested and exercisable on the dates set forth on the Signature Page, provided that the Optionee remains continually employed by the Company throughout such period and the performance condition(s) (if any) set forth on the Signature Page are satisfied, as further detailed on the Signature Page; provided further, that, unless sooner terminated, the Option shall expire on the Expiration Date and must be exercised, if at all, on or before the Expiration Date or its earlier termination. If the Optionee dies while employed by the Company or a parent or subsidiary of the Company (or within the period of extended exercisability otherwise provided herein), or if the Optionee's employment terminates by reason of Disability, the Option will become fully vested and exercisable (notwithstanding any terms of the Option providing for delayed exercisability) and may be exercised by the Optionee, by the legal representative of the Optionee's estate, or by the legatee under the Optionee's will at any time until the Expiration Date set forth on the Signature Page. The Vesting Schedule for the Option is set forth on the Signature Page.

(b) For the purpose of this Agreement, the Optionee shall be deemed to be an eligible employee of the Company for so long as the Optionee is employed by the Company or a parent or subsidiary of the Company. Accordingly, the Option shall be fully exercisable in accordance with this Section 3, provided the Optionee continues to be an employee of the Company or a parent or subsidiary thereof throughout the term of the Option, to such extent that the Shares are vested.

(c) Unless otherwise determined by the Committee at or after the date of grant, in the event that the employment of the Optionee terminates (other than by reason of death, Disability, Retirement, or for Cause), the Option, to such extent that it is vested, may be exercised for a period of 90 days from the date of such termination or until the Expiration Date set forth on the Signature Page, whichever period is shorter, and the Option to the extent that it is unvested shall terminate on the date that the Optionee's employment terminates. If the Optionee's employment terminates by reason of Retirement, the Option may thereafter be exercised, to the extent it is vested at the time of such Retirement, at any time until the Expiration Date set forth on the Signature Page, and the Option to the extent that it is unvested shall terminate on the date that the Optionee's employment terminates. If the Optionee's employment terminates for Cause, the Option, to the extent not theretofore exercised, shall terminate on the date of termination of employment regardless of its vested status.

(d) The Option Price of the Shares as to which the Option shall be exercised, together with all withholding tax obligations that arise upon exercise, shall be paid in full at the time of exercise (i) in cash or by certified check or by bank draft; (ii) if the Committee in its sole discretion permits, by the delivery of unrestricted shares of Common Stock which shall have an aggregate Fair Market Value determined in accordance with the Plan equal to the Option Price, including for this purpose shares otherwise issuable upon exercise of the Option; (iii) by cancellation of indebtedness of the Company to the Optionee; (iv) by waiver of compensation due or accrued to the Optionee for services rendered; (v) provided that a public market for the Common Stock exists, through a "same day sale" commitment from the Optionee and a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "FINRA Dealer") whereby the Optionee irrevocably elects to exercise his Option and to sell a portion of the Shares so purchased to pay for the Option Price and whereby the FINRA Dealer irrevocably commits to forward the Option Price directly to the Company in exchange for receipt of such Shares; (vi) provided that a public market for the Common Stock exists, through a "margin" commitment from the Optionee and a FINRA Dealer whereby the Optionee irrevocably elects to exercise the Option and pledge the Shares so purchased to the FINRA Dealer in a margin account as security for a loan from the FINRA Dealer in the amount of the Option Price, and whereby the FINRA Dealer irrevocably commits upon receipt of such Shares to forward the Option Price directly to the Company, or (vii) any combination of the preceding. Except as provided in Section 3 or Section 5 hereof, the Option may not be exercised at any time unless the Optionee shall have been continuously, from the Grant Date to the date of the exercise of the Option, an employee of the Company or a parent or subsidiary of the Company. Additionally, notwithstanding anything in this Agreement to the contrary, the Option may be exercised at any given time only as to those Shares covered by the Option which have "vested" at such time, as set forth on the Vesting Schedule. The holder of the Option shall not have any of the rights of a shareholder with respect to Shares covered by the Option until such time, if ever, as such Shares of Common Stock are actually issued and delivered to the Optionee.

4. Nontransferability. The Option shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Optionee, only by the Optionee. In the event of the Optionee's death, the Option may be exercised by the Optionee's executor, personal representative, or the person(s) to whom the Option is transferred by will or the laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided in Section 6 hereof), pledged or hypothecated in any way, shall not be assignable by operation of law and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, shall be null and void and without effect.

5. Termination of Option. Except as otherwise provided in the Plan or this Agreement, this Option shall terminate on the date the Optionee ceases to be an employee of the Company or a parent or subsidiary of the Company (the "Termination Date"). The Optionee shall be considered to be an employee of the Company for all purposes under this Section 5 if the Compensation Committee determines that the Optionee is rendering substantial services as a part-time employee to the Company or any parent or subsidiary of the Company.

6. Effect of Certain Changes.

(a) In the event of the dissolution or liquidation of the Company, any corporate separation or division of the Company, including but not limited to, a split-up, split-off or spin-off, or other similar transactions, the Committee may, in its sole discretion, provide that either:

(i) the Optionee shall have the right to exercise the Option (at its then Option Price) and receive such property, cash, securities, or any combination thereof upon such exercise as would have been received with respect to the number of shares of Common Stock for which the Option might have been exercised immediately prior to such dissolution, liquidation, or corporate separation or division; or

(ii) the Option shall terminate as of a date to be fixed by the Committee and that written notice of the date so fixed shall be given to the Optionee, who shall have the right, within such period as may be specified by the Committee preceding such termination, to exercise all or part of the Option.

(b) In the event of a proposed sale of all or substantially all of the assets of the Company or the merger of the Company with or into another corporation, the Option, to the extent then outstanding, shall be assumed or an equivalent award shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless such successor corporation does not agree to assume the award or to substitute an equivalent award, as determined in the discretion of the Committee, in which case the Committee shall, in lieu of such assumption or substitution, provide for the realization of the Option in the manner set forth in Section 6(a)(i) or 6(a)(ii) above.

(c) In the event of a "Change in Control" (as defined in the Plan), the Option, to the extent not previously vested and exercisable, shall become fully vested and exercisable as of the date of, and immediately before, such Change in Control. From and after such Change in Control, the Committee shall, in the case of a merger, consolidation or sale or disposition of assets, promptly make an appropriate adjustment to the amount and kind of shares or other securities or property receivable upon exercise and the Option Price per Share, and the Committee may, but is not required to, permit cancellation of the Option in exchange for a cash payment in an amount equal to the "Spread" (as defined in the Plan).

7. Adjustments. If there is any change in the shares of Common Stock through the declaration of extraordinary cash dividends, stock dividends, recapitalization, stock splits, or combinations or exchanges of such shares, or other similar transactions, the number and class of Shares subject to the Option and the Option Price per Share (but not the total purchase price) shall be proportionately adjusted by the Committee to reflect such change in the issued shares of Common Stock; provided, that any fractional shares resulting from such adjustment shall be eliminated. Adjustments under this Section 7 shall be made by the Compensation Committee whose determination with respect thereto shall be final and conclusive.

8. Notice. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, by United States certified or registered mail, prepaid, to the parties or their assignees, if to the Company, addressed to Forward Air Corporation, Attention: Legal Department, 430 Airport Road, Greeneville, Tennessee 37745, and if to the Optionee, at the address set forth on the Signature Page (or such other address as shall be given in writing by either party to the other).

9. Method of Exercising Option. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company, at its principal office in the State of Tennessee, which is set forth in Section 8 hereof. Such notice shall state the election to exercise the Option and the number of Shares in respect of which it is being exercised and be accompanied by payment in full of the Option Price pursuant to Section 3 above and any applicable withholding taxes, and the Company shall deliver a certificate or certificates representing the Shares subject to such exercise as soon as practicable after the notice shall be received. The certificate or certificates for the Shares as to which the Option shall have been so exercised shall be registered in the name of the person so exercising the Option and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised by any person other than the Optionee in accordance with the terms hereof, such notice shall be accompanied by appropriate proof of right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable. The holder of the Option shall not be entitled to the privileges of share ownership as to any shares of Common Stock not actually issued and delivered to the Optionee.

10. No Agreement to Employ. Nothing in this Agreement shall be construed to constitute or be evidence of any agreement or understanding, express or implied, on the part of the Company to employ or retain the Optionee for any specific period of time.

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

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

13. Nonqualified Nature of the Option. The Option is intended to be a nonqualified stock option and is not intended to qualify as an incentive stock option within the meaning of Code section 422. The Optionee hereby acknowledges that, upon exercise of the Option, the Optionee will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Option Price of the Shares and must comply with the provisions of Section 14 of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

14. Withholding of Taxes.

(a) At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Optionee hereby authorizes withholding from payroll or any other payment of any kind due to the Optionee and otherwise agrees to make adequate provision for foreign, federal, state and local taxes required by law to be withheld, if any, which arise in connection with the Option. The Company may require the Optionee to make a cash payment to cover any withholding tax obligation as a condition of exercise of the Option or issuance of share certificates representing Shares.

(b) The Committee may, in its sole discretion, permit the Optionee to satisfy, in whole or in part, any withholding tax obligation which may arise in connection with the Option either by electing to have the Company withhold from the Shares to be issued upon exercise that number of Shares, or by electing to deliver to the Company already-owned shares, in either case having a Fair Market Value not in excess of the amount necessary to satisfy the statutory minimum withholding amount due.

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

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

17. Electronic Delivery of Documents. The Company may electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Option, any amendments to the Agreement, and any reports of the Company provided generally to the Company's stockholders. The Optionee may receive from the Company, at no cost to the Optionee, a paper copy of any electronically delivered documents. Requests should be made to the Secretary of the Company at 430 Airport Road, Greeneville, Tennessee 37745 (Telephone: (423) 636 7000).

18. Amendment. This Agreement may be amended from time to time by the Committee in its discretion; provided, however, that this Agreement may not be modified in a manner that would have a materially adverse effect on the Option, as determined in the discretion of the Committee, except as provided in the Plan or in a written document signed by the Optionee and the Company.

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

20. Governing 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 district which includes the city or town in which the Company's principal executive office is located, and the Optionee hereby agrees and submits to the personal jurisdiction and venue thereof.

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

If the foregoing correctly sets forth your understanding of the terms and conditions governing the subject matter of this Agreement, please sign the enclosed Signature Page to this Agreement in the place indicated and return it to the corporate office.

Very truly yours,

FORWARD AIR CORPORATION

By: _____
Bruce A. Campbell
Chief Executive Officer
and President

Reference and Signature Page to
Forward Air Corporation
Nonqualified Stock Option Agreement
dated _____, 20__

Pursuant to the terms and conditions of the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (the "Plan"), you have been granted a Nonqualified Stock Option to purchase _____ shares (the "Option") of stock as outlined below.

Granted To: _____
SSN or Employee #: _____
Grant Date: _____
Options Granted: _____
Option Price per Share: _____
Total Cost to Exercise: _____
Expiration Date: _____
Vesting Schedule: 33% per year for 3 years as follows:
_____ shares on 02/07/20__
_____ shares on 02/07/20__
_____ shares on 02/07/20__

By my signature below, I hereby acknowledge receipt of the Option granted on the date shown above, which has been issued to me under the terms and conditions of the Plan. I further understand and agree that the Option is governed by the Plan, the Plan Prospectus, the Agreement, the Company's Insider Trading Policy, and the Company's Recoupment Policy and that such documents have been furnished by or are available from the Company upon request. I also agree to conform to all of the terms and conditions of the Option and the Plan and understand that in order for the grant of the Option to be effective, I must indicate my acceptance of the Option by signing and delivering this Reference and Signature Page to the Forward Air Corporation Accounting Department, P.O. Box 1058, Greeneville, TN 37744 by no later than _____.

Signature: _____ Date: _____

FORWARD AIR CORPORATION
AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR STOCK PLAN

(As further Amended, effective February 8, 2013)

SECTION 1. Establishment; Purpose.

Effective May 24, 2006, Forward Air Corporation, a Tennessee corporation (the “*Company*”), established and currently maintains the 2006 Non-Employee Director Stock Plan (the “*2006 NED Plan*”) to attract and retain well-qualified persons for service as directors of the Company and to provide directors with an opportunity to increase their ownership interest in the Company and, thereby, increase their personal interest in the Company's continued success. The Company's Board of Directors (the “*Board*”) now finds it desirable and in the best interests of the Company and its shareholders to amend and restate the 2006 NED Plan as set forth herein and to be known hereafter as the Amended and Restated Non-Employee Director Stock Plan (the “*Plan*”). The Plan, upon its approval by the Company's shareholders, shall be a continuation of the 2006 NED Plan under these amended and restated terms.

Under the Plan, the Company may grant non-employee directors equity compensation in the form of restricted shares (the “*Restricted Shares*”) of the \$0.01 par value common stock of the Company (the “*Common Stock*”), unrestricted shares of Common Stock (the “*Unrestricted Shares*” and, together with the Restricted Shares, the “*Award Shares*”), and nonstatutory stock options (the “*Options*”) for the purchase of Common Stock (all such grants are referred to individually as an “*Award*” and collectively as “*Awards*”).

SECTION 2. Administration.

Responsibility and authority to administer and interpret the provisions of the Plan shall be conferred upon the Board. The Board shall, subject to the provisions of the Plan, have the power to construe the Plan, to determine all questions arising thereunder and to adopt and amend rules and regulations for the administration of the Plan. Without limiting the foregoing, the Board shall have the discretion to determine the form, size, timing and vesting of Awards, and such discretion may be exercised with respect to future or then-outstanding Awards and need not be exercised uniformly among all directors. The Board may employ attorneys, consultants, accountants or other persons, and the Board, the Company and its officers shall be entitled to rely upon the advice, opinions or valuations of any such persons. All usual and reasonable expenses of the Board shall be paid by the Company. All actions taken and all interpretations and determinations made by the Board in good faith shall be final and binding upon all recipients who have received Awards, the Company and other interested persons. No member of the Board shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan or Awards made hereunder, and all members of the Board shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

SECTION 3. Shares of Common Stock Subject to the Plan.

(a) Number of Shares Issuable Under the Plan. Subject to Section 3(b), up to 200,000 shares of Common Stock may be issued with respect to grants of Awards under the Plan (inclusive of Awards granted under the 2006 NED Plan prior to its amendment and restatement herein). In the event that any Awards, or portions of an Award, granted under the Plan, or Stock Units credited to a bookkeeping reserve account with respect to deferred Award Shares, terminate unexercised or are canceled, surrendered or forfeited for any reason, then the number of Award Shares and Stock Units or the number of shares underlying the Options which terminated unexercised or were canceled, surrendered or forfeited shall be added to the remaining number of shares of Common Stock for which Awards may be issued under the Plan.

(b) Adjustments. The Board shall appropriately adjust the exercise price of outstanding Options and the maximum number and kind of shares subject to the Plan, Stock Units credited under the Plan, outstanding Awards and subsequent Awards in the event of reorganization, recapitalization, stock split, reverse stock split, stock dividend, exchange or combination of shares, merger, consolidation, rights offering or any change in capitalization of the Company.

(c) Source of Shares. The Common Stock issued under the Plan will come from authorized but unissued shares of Common Stock, treasury shares, purchases by the Company on the open market or from any other proper source. The Company will set aside and reserve for issuance under the Plan the number of shares set forth in Section 3(a), as adjusted.

SECTION 4. **Eligibility.**

All directors of the Company who are neither employees of the Company nor officers of the Company shall be eligible participants in the Plan.

SECTION 5. **Grants of Awards.**

(a) **Annual Grants.** Each individual who serves as a director of the Company and is, on the grant date, an eligible participant shall automatically be granted an Award, in such form and size as the Board determines from year to year (the “*Annual Grant*”), on the first business day after each Annual Meeting of Shareholders of the Company at which directors are elected (an “*Annual Meeting*”). Each Annual Grant shall be evidenced by a written agreement or other evidence of issuance (an “*Award Agreement*”) in such form acceptable to the Company and not inconsistent with the terms and conditions specified in the Plan.

(b) **Pro-Rata Grants.** Each person who first becomes an eligible director on a date other than the date of an Annual Meeting shall receive, within 30 days of the date such person is appointed as or first becomes a non-employee director, a pro-rata grant of a number of Award Shares or Options, depending on the form of Annual Grant granted on the first business day following the last preceding Annual Meeting (the “*Preceding Annual Grant*”), equal to the number, rounded up to the nearest whole number, determined by multiplying the shares underlying the Preceding Annual Grant by a fraction, (i) the numerator of which is the number of whole and partial months during the period measured from the date of appointment as an eligible director until the next following May 1st, and (ii) the denominator of which is 12.

SECTION 6. **Terms and Conditions of Award Shares.**

Award Shares may be granted with or without restrictions. The terms and conditions of such Awards shall be as set forth below.

(a) **Unrestricted Shares.** Unrestricted Shares are vested, nonforfeitable and freely transferable when granted under the Plan.

(b) **Restricted Shares.**

(i) **Vesting.** Restricted Shares are nonvested and forfeitable when granted under the Plan. Unless otherwise determined by the Board, Restricted Shares shall become vested and nonforfeitable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the grant date or (b) the first anniversary of the grant date, so long as the director's service with the Company has not earlier terminated. If the director's service with the Company terminates due to death or total disability, the Restricted Shares that have not previously become vested and nonforfeitable shall become vested and nonforfeitable as of the date that the director's service with the Company so terminates. If the director's service with the Company terminates for any reason other than death or total disability, then, unless the Board determines otherwise, all Restricted Shares that are not then vested and nonforfeitable, after giving effect to the vesting provision set forth above, will be immediately forfeited by the director and transferred to the Company upon such termination at no cost to the Company.

(ii) **Restrictions on Transfer.** Until the Restricted Shares become vested and nonforfeitable, the Restricted Shares may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise), except by will or the laws of descent and distribution, and shall not be subject to execution, attachment or similar process. The Company shall not be required to (i) transfer on its books any Restricted Shares that have been sold or transferred in contravention of the Plan or (ii) treat as the owner of shares, or otherwise accord voting, dividend, distribution or liquidation rights to, any transferee to whom Restricted Shares have been transferred in contravention of the Plan.

(iii) **Shareholder Rights; Share Certificates.** Each participating director shall be reflected on the Company's books as the owner of record of the Restricted Shares as of the date of grant and shall possess all incidents of ownership of such shares, subject to Section 6(b) (ii), including the right to receive cash dividends with respect to such shares and to vote such shares; provided, that shares of Common Stock distributed in connection with a stock split or stock dividend shall be subject to restrictions on transfer and a risk of forfeiture to the same extent as the Restricted Shares with respect to which such shares are distributed. The Company will hold the share certificates for safekeeping, or otherwise retain the shares in uncertificated book entry form, until the Restricted Shares become vested and nonforfeitable. Until the Restricted Shares become vested and nonforfeitable, any share certificates representing such shares will include a legend to the effect that the director may not sell, assign, transfer, pledge or hypothecate the Restricted Shares. All regular cash dividends on the Restricted Shares held by the Company will be paid directly to the director. As soon as practicable after vesting of the Restricted Shares, the Company will

deliver a share certificate to the director, or deliver shares electronically or in certificate form to the director's designated broker on the director's behalf, for such vested Restricted Shares.

SECTION 7. **Terms and Conditions of Options.**

(a) Exercisability. Unless the Board determines otherwise, the Options shall become exercisable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the grant date or (b) the first anniversary of the grant date, so long as the director's service with the Company has not earlier terminated. Once an Option has become exercisable, it shall remain exercisable, to the extent not exercised, until its expiration date or earlier termination pursuant to Section 7(b).

(b) Post-Termination Exercise. If a director's service with the Company terminates due to the director's death or total disability, the outstanding Options granted to such director shall become exercisable in full and shall remain exercisable for a period of one year thereafter but not beyond their expiration date. If a director's service with the Company terminates for any other reason, unless the Board determines otherwise, all Options granted to such director which are not then exercisable, after giving effect to the vesting provision set forth above, shall be canceled and the remaining Options shall continue to be exercisable for 90 days thereafter but not beyond their expiration date.

(c) Exercise Price. The exercise price per share for each Option granted under the Plan shall be 100% of the Fair Market Value (as defined below) of a share of Common Stock as of the date of grant. "*Fair Market Value*" as of a given date for purposes of the Plan and any Award Agreement means (i) the closing sale price for the shares on The NASDAQ Stock Market or any national exchange on which shares of Common Stock are traded on such date (or if such market or exchange was not open for trading on such date or no shares of Common Stock traded on that day but were listed for trade, the next preceding date on which it was open and the shares of Common Stock did trade); or (ii) if the Common Stock is not listed on The NASDAQ Stock Market or on an established and recognized exchange, such value as the Board, in good faith, shall determine based on such relevant facts, which may include opinions of independent experts, as may be available to the Board.

(d) Method of Exercise. Unless the Board determines otherwise, payment of the exercise price shall be in cash, in shares of Common Stock valued at their Fair Market Value on the date of exercise, or both, as elected by the director.

(e) Restrictions on Transfer. The Options shall be exercisable only by the director during his or her lifetime and may not be transferred other than by will or the laws of descent and distribution unless the Board determines otherwise.

(f) Expiration of the Options. The Options shall expire, if not sooner exercised or terminated, as of such date determined by the Board and set forth in the applicable Award Agreement; provided, however, that no Option shall expire later than 10 years after its date of grant.

SECTION 8. **Deferral of Award Shares.**

(a) Deferral of Award Shares. Directors may elect to defer receipt of Award Shares in accordance with the election procedures set forth below. If a director elects to defer the receipt of Award Shares, the number of Award Shares deferred shall be credited as Stock Units to a bookkeeping reserve account established for the director under the Plan as of the date that the Award Shares otherwise would have been issued to the director. Each Stock Unit shall represent the right to receive one share of Common Stock when the director incurs a separation from service with the Company (a "*Separation From Service*") within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*"), provided that the Stock Unit is or has become vested and nonforfeitable on or before such date. Stock Units representing deferred Restricted Shares shall become vested and nonforfeitable at the same time and subject to the same conditions as the corresponding Restricted Shares to which they relate would have become vested and nonforfeitable but for their deferral of issuance.

(b) Settlement of Stock Units. Except as provided in Section 9(a), all vested Stock Units shall be settled upon the date that the director incurs a Separation From Service with the Company or as soon as practicable thereafter but in no event later than the close of the calendar year in which the Separation From Service occurs or such later date as may be permitted under Section 409A of the Code. Except as provided in Section 9(a), all vested Stock Units shall be settled in the form of shares of Common Stock issued to the director or the director's estate as applicable, provided that any vested fractional Stock Units credited to a director's bookkeeping reserve account shall be settled in cash. If the director's service with the Company terminates for any reason other than death or total disability, all Stock Units that are not then vested will be immediately forfeited by the director.

(c) Deferral Election Procedures. All deferral elections shall be made in accordance with the following procedures:

(i) An election pursuant to Section 8(a) shall be made by the director by executing and delivering a deferral agreement, in the form approved by the Company, to the Secretary of the Company. The deferral agreement shall become effective with respect to such director as of the first day of January following the date such deferral agreement is received by the Secretary of the Company, except as otherwise provided below. In the case of the first year in which a director becomes eligible to participate in the Plan, the director may execute and deliver a deferral agreement to the Secretary of the Company before or within 30 days after the date the individual becomes an eligible director. If a newly eligible director delivers a deferral agreement after, but within 30 days of, the date of appointment as a director, the deferral agreement will apply, solely with respect to the first grant of Award Shares received by the director after such appointment, to a number of Award Shares equal to (A) the Award Shares granted in such first grant minus (B) one-twelfth (1/12) times, as applicable, either the number of shares awarded under the Annual Grant if the individual first becomes an eligible director on the date of an Annual Meeting or the number of shares awarded under the Preceding Annual Grant if the individual first becomes an eligible director on a date other than the date of an Annual Meeting. If a newly eligible director delivers a deferral agreement on or before the date of appointment, the deferral agreement will apply to the entire first grant of Award Shares received by the director after such appointment. A director's election shall continue in effect, unless earlier modified by the director, until the director no longer serves as a director of the Company or, if earlier, until the director ceases to participate in the Plan.

(ii) A director may unilaterally modify a deferral agreement (either to terminate, increase or decrease the portion of the director's future grants of Award Shares which are subject to deferral) by providing a written modification of the deferral agreement, in a form approved by the Company, to the Secretary of the Company. The modification shall become effective as of the first day of January following the date such written modification is received by the Secretary of the Company.

(iii) The Board may from time to time establish policies or rules consistent with the requirements of Section 409A of the Code, to govern the manner in which deferrals of Award Shares may be made.

(d) Rights in Respect of Deferred Award Shares. Award Shares that are deferred shall not represent an actual ownership in shares of Common Stock and the director shall have no voting or other rights as a shareholder in respect of Stock Units credited to the director's bookkeeping reserve account. On each cash dividend payment date with respect to shares of Common Stock, each director who has Stock Units credited to a bookkeeping reserve account under the Plan on the record date for such dividend shall have credited to such account, as a dividend equivalent payment, additional Stock Units which shall be fully vested. The number of additional Stock Units to be so credited shall equal: (i) the product of (x) the per-share cash dividend payable, multiplied by (y) the total number of Stock Units which have not been settled or forfeited as of the record date for such dividend, divided by (ii) the Fair Market Value (as defined in Section 7(c)) of one share of Common Stock on the payment date of such dividend. If the unit holder's Stock Units have been settled after the record date but prior to the dividend payment date, any Stock Units that would be credited pursuant to the preceding sentence shall be settled on or as soon as practicable after the dividend payment date.

(e) Transferability of Rights. No director shall have the right to assign any right or interest in any Stock Unit or shares of Common Stock subject to a Stock Unit, or to cause or permit any encumbrance, pledge or charge of any nature to be imposed on any such Stock Unit or shares of Common Stock so deferred or any such right or interest, other than by will or the laws of descent and distribution.

SECTION 9. **Change in Control.**

(a) Acceleration of Vesting, Exercisability, and Award Termination upon Change in Control. In the event of a "Change in Control" (as defined below), (1) all Restricted Shares, Options and Stock Units awarded under the Plan not previously vested, exercisable and nonforfeitable shall become fully vested, exercisable and nonforfeitable as of the date of, and immediately before, such Change in Control; (2) all outstanding Options not exercised prior to or upon the Change in Control will terminate at the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation, assumption or settlement of such Options by, or for the substitution of equivalent options of, the surviving or successor entity or a parent thereof; and (3) all Stock Units credited to accounts as of the Change in Control will be settled in shares or in cash at the discretion of the Board upon the Change in Control or as soon as practicable thereafter but in no event later than the close of the calendar year in which the Change in Control occurs.

(b) Definition of Change in Control. For purposes of this Section 9, a "Change in Control" means the earliest to occur of any of the following events, construed in accordance with Section 409A of the Code:

(i) Any one Person or more than one Person Acting as a Group (each as defined in this Section 9(b)) acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, beneficial ownership of more than a majority of the total fair market value or total voting power of the Company's then-outstanding securities;

(ii) Any one Person or more than one Person Acting as a Group (each as defined in this Section 9(b)) acquires, or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Group, assets of the Company that have a total gross fair market value (as determined by the Board) of 75% or more of the total gross fair market value of all of the assets of the Company immediately prior to the initiation of the acquisition; or

(iii) A majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed or approved by at least two-thirds of the members of the Board who were members of the Board prior to the initiation of the replacement.

For purposes of this Section 9(b), a "Person" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (C) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company. Persons will be considered to be "Acting as a Group" (or a "Group") if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be Acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be Acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

For purposes of this Section 9(b), Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation Section 1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

SECTION 10. Amendment or Discontinuance.

The Board may amend, suspend or terminate the Plan or any portion thereof at any time as it determines appropriate, without further action by the Company's shareholders, except to the extent required by applicable law or by any stock exchanges upon which the Common Stock may be listed; provided, however, that no action of the Board to amend, suspend or terminate the Plan may impair a director's rights with respect to any Awards or Stock Units previously made under the Plan without the director's consent. Notwithstanding the foregoing, the Plan may be amended by the Board at any time, retroactively if required in the opinion of the Company, in order to ensure that the Plan complies with the requirements of Section 409A of the Code. No such amendment shall be considered prejudicial to any interest of a director.

SECTION 11. Effective Date and Term of Plan.

The Plan was amended and restated with shareholder approval effective May 23, 2007, and is further amended as set forth herein effective February 7, 2013, which such further amendment does not require shareholder approval. Unless sooner terminated by the Board, the Plan shall continue in effect indefinitely until all shares of Common Stock approved for issuance under the Plan by the shareholders of the Company have been issued. Awards and Stock Units granted prior to termination of the Plan shall, notwithstanding termination of the Plan, continue to be effective and shall be governed by the Plan.

SECTION 12. Continuation of Director or Other Status.

Nothing in the Plan or in any instrument executed pursuant to the Plan or any action taken pursuant to the Plan shall be construed as creating or constituting evidence of any agreement or understanding, express or implied, that the Company will retain a participant as a director or in any other capacity for any period of time or at a particular retainer or other rate of compensation, as conferring upon any participant any legal or other right to continue as a director or in any other capacity, or as limiting, interfering with or otherwise affecting the provisions of the Company's charter, bylaws or the Tennessee Business Corporation Act relating to the removal of directors.

SECTION 13. The Company's Rights.

The existence of the Plan, grants of Awards, or crediting of Stock Units shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of

bonds, debentures, preferred or other stocks with preference ahead of or convertible into, or otherwise affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

SECTION 14. No Trust or Fund Created.

Neither the Plan nor any Awards or crediting of Stock Units to a bookkeeping reserve account shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a director or any other person. To the extent that any director or other person acquires a right to receive payments from the Company pursuant to the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

SECTION 15. Governing Law.

The Plan and all determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of Tennessee pertaining to contracts made and to be performed wholly within such jurisdiction.

SECTION 16. 409A Savings Clause.

(a) It is intended that the Plan comply with Section 409A of the Code. The Plan shall be administered, interpreted and construed in a manner consistent with such Section. Should any provision of the Plan not comply with Section 409A of the Code, that provision shall be modified and given effect, in the sole discretion of the Board and without requiring consent of any Award holder, in such manner as the Board determines to be necessary or appropriate to comply with Section 409A of the Code.

(b) In the event that a holder of Stock Units is a "specified employee" upon "separation of service" (each within the meaning of Section 409A of the Code as determined in good faith by the Board), settlement of any Stock Units, the settlement of which is triggered by the occurrence of the separation from service, will be delayed until the first business day after the expiration of six months following the date of the separation from service.

SECTION 17. Compliance with Laws.

To the extent the Company is unable to or the Board deems it infeasible to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance of any shares under the Plan, the Company shall be relieved of any liability with respect to the failure to issue such shares as to which such requisite authority shall not have been obtained.

**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, 2013 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 25, 2013

/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, 2013 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 25, 2013

/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, 2013 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 25, 2013

/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, 2013 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 25, 2013

/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.