



**Notice of 2018 Annual Meeting
of Shareholders,
Proxy Statement and
2017 Annual Report**



Dear Fellow Shareholder,

Forward Air delivered a strong performance in 2017, and we are optimistic about our future.

In 2017, we exceeded \$1 billion in revenue for the first time in the Company's history. We achieved this milestone in a tightening market for driver and third-party transportation provider capacity which continues today. Our team executed with discipline to deliver on our commitment to our customers to provide the premium on-time expedited service they need to keep their businesses moving forward. While effectively capitalizing on the opportunities afforded by a robust freight market in 2017, we continued to deploy capital and invest in increasing freight capacity, enhancing technology and developing people to support our long-term strategic growth initiatives.

Here are some of the financial and operational highlights for the year ended December 31, 2017:

- We grew the enterprise in 2017, increasing our consolidated operating revenue by \$118.3 million, or 12%, to a record \$1.1 billion.
- We achieved record income from operations of \$108.6 million.
- We executed on our strategy of growing our Expedited LTL customer base by penetrating the expedited segment of the 3PL market. We did this by expanding our service offerings and implementing technology enhancements.
- We implemented the McLeod operating system as the operating platform for our Truckload Services business, which will help us grow by improving our load visibility and real-time decision making.
- We completed strategic acquisitions for our Intermodal business by acquiring certain assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (together referred to as "Atlantic") and certain assets of Kansas City Logistics, LLC ("KCL"). As a result, we expanded the footprint of our Intermodal business throughout the southeast and strengthened our service offering in Kansas City, a key Midwest intermodal market.
- We grew operating revenue and income from operations in our Pool Distribution ("Pool") business to record highs in 2017. Pool's operating revenue and income from operations was \$164.2 million and \$6.4 million, respectively, for the year ended December 31, 2017, which represents growth of 10.5% and 77.8%, respectively, compared to the same results for the year ended December 31, 2016.
- We continued to generate strong cash flows. The Company's consolidated operating activities generated \$103.4 million of net cash for the year ended December 31, 2017. After utilizing \$59.2 million in cash in investing activities in 2017, the Company returned \$67.0 million to shareholders through dividends and our stock repurchase program.

We believe the steps we took in 2017 have positioned us to take advantage of the strong freight environment that has continued into 2018. Additionally, our balance sheet remains strong, enabling us to scale and enhance our service offerings and make investments in technology required to implement our strategic initiatives.

Our achievements would not be possible without the hard work and dedication of the entire Forward Air team of employees and of our independent contractor business partners. We are grateful for their contributions and recognize them on behalf of all of our shareholders.

We are excited about the future and remain focused on making operational improvements and strategic decisions that will continue to enhance shareholder value. Thank you for investing in our Company and for your confidence in the Forward Air team.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bruce A. Campbell". The signature is fluid and cursive, with the first name "Bruce" being the most prominent part.

Bruce A. Campbell
Chairman, President and Chief Executive Officer



April 5, 2018

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of Forward Air Corporation, you are cordially invited to attend the 2018 Annual Meeting of Shareholders on Tuesday, May 15, 2018, beginning at 8:00 a.m., EDT in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the meeting in person, please vote and submit your proxy over the Internet, by telephone or by completing, signing, dating and returning the enclosed proxy in the envelope provided as promptly as possible. If you attend the meeting and desire to vote in person, you may do so even though you have previously submitted a proxy.

I hope you will be able to join us, and we look forward to seeing you at the meeting.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bruce A. Campbell", is written over a light gray circular stamp.

Bruce A. Campbell
Chairman, President and Chief Executive Officer

**FORWARD AIR CORPORATION
1915 Snapps Ferry Road, Building N
Greeneville, Tennessee 37745**

**NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 15, 2018**

To the Shareholders of Forward Air Corporation:

The 2018 Annual Meeting of Shareholders of Forward Air Corporation (the “Company”) will be held on Tuesday, May 15, 2018, beginning at 8:00 a.m., EDT, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337.

Attendance at the Annual Meeting will be limited to shareholders, those holding proxies from shareholders and representatives of the Company, press and financial community. To gain admission to the Annual Meeting, you will need to bring identification and will need to show that you are a shareholder of the Company. If your shares are registered in your name and you plan to attend the Annual Meeting, please retain and bring the top portion of the enclosed proxy card as your admission ticket. If your shares are in the name of your broker or bank, or you received your proxy materials electronically, you will need to bring evidence of your stock ownership, such as your most recent brokerage account statement.

The purposes of this meeting are:

1. To re-elect eight members of the Board of Directors with terms expiring at the 2019 Annual Meeting of Shareholders, or until their respective successors are elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the 2018 fiscal year;
3. To approve, on a non-binding, advisory basis, the compensation of the named executive officers (the “say on pay vote”); and
4. To transact such other business as may properly come before the Annual Meeting and at any adjournment or postponement thereof.

We mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017 on or about April 5, 2018.

Our Proxy Statement and Annual Report are available online at: www.proxyvote.com.

We will make available a list of shareholders of record as of March 16, 2018, the record date for the Annual Meeting, for inspection by shareholders during normal business hours from March 20, 2018 until May 14, 2018 at the Company’s principal place of business, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745. The list also will be available to shareholders at the meeting.

Only holders of the Company’s common stock, par value \$0.01 per share, of record at the close of business on March 16, 2018 are entitled to notice of and to vote at the Annual Meeting. Shareholders are cordially invited to attend the meeting in person. **Our Board of Directors recommends a vote FOR each of the director nominees in proposal 1, and FOR proposals 2 and 3.**

It is important that your shares be represented at the Annual Meeting. Whether or not you expect to attend the meeting, please vote and submit your proxy over the Internet, by telephone or by mail. Please refer to the proxy card for specific voting instructions. If you attend the meeting and desire to vote in person, you may do so even though you have previously submitted a proxy. You may revoke your proxy at any time before it is voted at the Annual Meeting.

By Order of the Board of Directors,

A handwritten signature in cursive script that reads "Michael L. Hance".

Michael L. Hance
*Senior Vice President,
Chief Legal Officer and Secretary*

Greeneville, Tennessee
April 5, 2018

FORWARD AIR CORPORATION

1915 Snapps Ferry Road, Building N
Greeneville, Tennessee 37745
(423) 636-7000

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished to the shareholders of Forward Air Corporation (the “Company”) in connection with the solicitation of proxies by the Board of Directors of the Company (the “Board”) for use at the 2018 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Tuesday, May 15, 2018, beginning at 8:00 a.m., EDT, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337, and any adjournment or postponement thereof, for the purposes set forth in the foregoing Notice of 2018 Annual Meeting of Shareholders.

You can ensure that your shares are voted at the Annual Meeting by submitting your instructions over the Internet, by telephone or by completing, signing, dating and returning the enclosed proxy in the envelope provided. You may revoke your proxy at any time before it is exercised by voting in person at the Annual Meeting or by delivering written notice of your revocation to, or a subsequent proxy to, the Secretary of the Company at its principal executive offices. Each properly executed proxy will be voted **FOR** each of the director nominees in proposal 1, and **FOR** proposals 2 and 3 if no contrary instruction is indicated in the proxy, and in the discretion of the persons named in the proxy on any other matter that may properly come before the shareholders at the Annual Meeting.

Shareholders are entitled to one vote for each share of common stock held of record at the close of business on March 16, 2018 (the “Record Date”). There were 29,416,950 shares of our common stock, par value \$0.01 per share (“common stock”), issued and outstanding on the Record Date. Holders of Series A Junior Preferred Stock, par value \$0.01 per share (“preferred stock”) are entitled to vote with holders of shares of common stock together as one class on all matters submitted to a shareholder vote. However, as of the Record Date, no shares of our preferred stock were outstanding. The presence, in person or by proxy, of a majority of shares of common stock will, therefore, constitute a quorum at the Annual Meeting.

The affirmative vote of a plurality of the votes cast by the shareholders entitled to vote at the Annual Meeting is required for the election of directors. A properly executed proxy marked “**Withhold Authority**” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted in determining whether there is a quorum. Therefore, so long as a quorum is present, withholding authority will have no effect on the election of directors.

In the event that any nominee for director in an uncontested election receives a greater number of votes “withheld” from his or her election than votes “for” such election, such director shall tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall recommend to the Board the action to be taken with respect to the resignation. The Board will publicly disclose its decision within 90 days of the certification of the election results.

The ratification of Ernst & Young LLP as the independent registered public accounting firm of the Company for the 2018 fiscal year, the say on pay vote and any other matter that properly comes before the

Annual Meeting will be approved by a majority of the votes cast. A properly executed proxy marked “**Abstain**” with respect to such proposals will not be voted on such proposals, although it will be counted in determining whether there is a quorum. Therefore, as long as a quorum is present, abstaining from proposals 2 and 3 or any other proposal that properly comes before the Annual Meeting will have no effect on whether such proposals are approved.

Brokers who hold shares for the accounts of their clients who do not receive voting instructions may not vote for matters that are not considered “routine.” The matters contained in this Proxy Statement that are not considered routine are the election of the Board and the say on pay vote. Shares held by your broker will not be voted on these matters absent specific instruction from you, which means your shares may go unvoted and not affect the outcome if you do not specify a vote. Proxies that are returned to us where brokers have received instructions to vote on one or more proposal(s) but have not received instructions to vote on other proposal(s) are referred to as “broker non-votes” with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum but will have no effect on whether such proposals are approved.

The Company will bear the cost of soliciting proxies for the Annual Meeting. The Company has retained Innisfree M&A Incorporated (“Innisfree”) to aid in the solicitation of proxies and to verify certain records related to the solicitation subject to customary terms and conditions. The Company will pay Innisfree a fee of \$10,000 as compensation for its services and will reimburse it for its reasonable out-of-pocket expenses. Our officers and employees may also solicit proxies by mail, telephone, e-mail or facsimile transmission. They will not be paid additional remuneration for their efforts. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2018.

The Company’s Proxy Statement for the 2018 Annual Meeting of Shareholders and the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 are available at www.proxyvote.com.

PROPOSAL 1 – ELECTION OF DIRECTORS

Our Amended and Restated Bylaws (“Bylaws”) permit the Board to fix the size of the Board. At the date of this Proxy Statement, our Board is comprised of nine directors, eight of whom are non-employee directors. There are eight nominees for election at the Annual Meeting, each to hold office until the 2019 Annual Meeting of Shareholders or until a successor has been duly elected and qualified. Each nominee has consented to serve if elected.

In the event any director nominee, in an uncontested election, receives a greater number of votes “withheld” from his or her election than votes “for” such election, he or she shall tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee shall recommend to the Board the action to be taken with respect to the resignation. The Board will publicly disclose its decision within 90 days of the certification of the election results.

Recommendation of the Board

The Board recommends a vote FOR the election of the eight nominees named below. Duly executed proxies will be so voted unless record holders specify a contrary choice on their proxies. Proxies cannot be voted for a greater number of persons than the number named.

Shareholder Vote Requirement

The nominees for election shall be elected by a plurality of the votes cast by the shares of common stock entitled to vote at the Annual Meeting. Shareholders have no right to vote cumulatively for directors. Each share shall have one vote for each directorship to be filled on the Board.

Director Nominees

The following persons are the nominees for re-election to serve as directors. There are no family relationships between any of the director nominees. Each director nominee is standing for re-election by the shareholders. Certain information relating to the nominees, furnished by the nominees, is set forth below. The ages set forth below are accurate as of the date of this Proxy Statement.

The Board has determined that all of its current directors are qualified to serve as directors of the Company. In addition to the specified business experience listed below, each of the directors has the skills and attributes which the Board believes are required to be an effective director of the Company, including experience at senior levels in areas of expertise helpful to the Company, a willingness and commitment to assume the responsibilities required of a director of the Company and the character and integrity the Board expects of its directors.

RONALD W. ALLEN

Director since 2014
and from 2011 to 2013
Age 76

Mr. Allen retired as the Chief Executive Officer of Aaron's, Inc. ("Aaron's"), a leading lease-to-own company for furniture, appliances and electronics, in August 2014. He served as the Chairman of the Board of Directors of Aaron's and as its President and Chief Executive Officer from November 2012 until April 2014, continuing in the role of Chief Executive Officer until August 2014. Before being elected as Chairman of the Board of Aaron's, Mr. Allen served as President and Chief Executive Officer from February 2012 until November 2012, and as its Interim President and Chief Executive Officer from November 2011 until February 2012. Mr. Allen retired as the Chairman of the Board, President and Chief Executive Officer of Delta Air Lines, Inc. ("Delta") in July 1997. From July 1997 through July 2005, Mr. Allen was a consultant to and Advisory Director of Delta. Mr. Allen has been a Director of The Coca-Cola Company since 1991 and currently serves on its finance committee and as Chairman of its audit committee. In addition, he has been a Director of Aircastle Limited since 2006 and currently serves on its audit committee. He previously served as a Director of Interstate Hotels & Resorts, Inc. from 2006 to 2010 and Guided Therapeutics Inc. from 2008 to 2014.

Qualifications. The Board believes Mr. Allen brings a significant depth of senior leadership and governance experience to the Board.

ANA B. AMICARELLADirector since 2017
Age 51

Ms. Amicarella is Managing Director for Aggreko PLC, a power generation solutions company. Prior to joining Aggreko in March 2011, she was general manager of GE Oil & Gas Services for North America. Ms. Amicarella began her career at GE in 1988 as a field engineer, and during her tenure, she served in various professional capacities within the areas of service, sales, strategic initiatives and P&L leaderships. Ms. Amicarella received a B.S. in electrical engineering from The Ohio State University and an MBA from Oakland University. She competed in the 1984 Olympics in synchronized swimming and was an All-American while at The Ohio State University.

Qualifications. The Board believes that Ms. Amicarella's extensive business and prior management experience brings sound guidance to our Board.

VALERIE A. BONEBRAKEDirector since 2018
Age 66

Ms. Bonebrake retired as a Senior Vice President of Tompkins International and has more than 25 years of industry experience in logistics services. In her role at Tompkins, she consulted with an array of companies and industries in North America and across the globe. Prior to joining Tompkins in 2009, she was the Executive Vice President and a cofounder of the YRC Worldwide subsidiary, Meridian IQ (now MIQ Logistics), a global third party logistics company. Ms. Bonebrake spent 19 years at Ryder System, Inc., in various leadership roles of increasing responsibility in the company's supply chain solutions segment. She also has been recognized by Ingram Magazine as one of the Top Ten Female Executives in Kansas, and was a 2010 recipient of Supply & Demand Chain Executive's Pros to Know award. She holds a M.S. in International Logistics from the Georgia Institute of Technology.

Qualifications. The Board believes that Ms. Bonebrake contributes strategic insight to our Board based on her extensive experience in the transportation industry.

BRUCE A. CAMPBELLDirector since 1993
Age 66

Mr. Campbell has served as President of the Company since August 1998, as our Chief Executive Officer since October 2003 and as Chairman of the Board since May 2007. Mr. Campbell was Chief Operating Officer of the Company from April 1990 until October 2003 and served as our Executive Vice President from April 1990 until August 1998. Prior to joining the Company, Mr. Campbell served as Vice President of Ryder-Temperature Controlled Carriage in Nashville, Tennessee from September 1985 until December 1989. Mr. Campbell has held a leadership role with the Company for over 26 years, has served as our Chief Executive Officer for over 13 years and as our Chairman for over 9 years.

Qualifications. The Board believes that Mr. Campbell possesses a wealth of industry knowledge, experience and expertise and has been a strong, proven leader of the Company.

C. ROBERT CAMPBELLDirector since 2005
Age 73

Mr. Campbell has served as the Company's Lead Independent Director since May 2014. He served as Executive Vice President and Chief Financial Officer of MasTec, Inc., a leading communications and energy infrastructure service provider in North America, from October 2004 until December 2013. Mr. Campbell has

over 25 years of senior financial management experience. From January 2002 to October 2004, Mr. Campbell was Executive Vice President and Chief Financial Officer for TIMCO Aviation Services, Inc. Mr. Campbell was the President and Chief Executive Officer of BAX Global, Inc. from April 1998 to June 2000. He served as Executive Vice President-Finance and Chief Financial Officer for Advantica Restaurant Group, Inc. from March 1995 to March 1998. Also, Mr. Campbell worked for Ryder System, Inc., for over 20 years including serving for 10 years as Executive Vice President and Chief Financial Officer for its Vehicle Leasing and Services Division. Mr. Campbell is a Certified Public Accountant (Inactive). Mr. Campbell is a Director of Pernix Group, Inc. since January 2014, and currently he serves as its Lead Director, as Chairman of its audit committee and as a member of its compensation committee. In addition, Mr. Campbell is a Director of MasTec, Inc. since September 2016.

Qualifications. The Board believes that Mr. Campbell brings to the Company a tremendous amount of industry-related knowledge and experience in a multitude of areas, including accounting, finance, operations, sales and marketing as he has served in executive leadership capacities with transportation and logistics companies and as Chief Financial Officer for a publicly-traded concern, until his retirement in December 2013.

R. CRAIG CARLOCK

Director since 2015
Age 51

Mr. Carlock is the Chief Executive Officer and a director of Omega Sports, Inc. Prior to Omega Sports, Inc., he served as the President and Chief Executive Officer of The Fresh Market from January 2009 to January 2015 and as a member of its board of directors from June 2012 to January 2015. He began his career with The Fresh Market in 1999 and served in various capacities culminating with the position of President and Chief Executive Officer. During his time with The Fresh Market, Mr. Carlock served as its Executive Vice President and Chief Operating Officer as well as its Senior Vice President – Store Operations, Vice President – Merchandising and Marketing, and Director of Merchandising & Marketing Strategy. Prior to joining The Fresh Market, Mr. Carlock was Financial Manager, Fabric Care Category, at Procter & Gamble Company.

Qualifications. The Board believes that Mr. Carlock’s leadership experience is invaluable to management and the Board in, among other things, the areas of strategy, development and corporate governance.

C. JOHN LANGLEY, JR., Ph.D.

Director since 2004
Age 72

Dr. Langley has served as Clinical Professor of Supply Chain Management and Director of Development for The Center for Supply Chain Research at The Pennsylvania State University since 2011. Formerly, Dr. Langley served as Professor of Supply Chain Management at the Georgia Institute of Technology from September 2001 until October 2010, and from September 1973 until July 2001, he was the John H. Dove Professor of Logistics and Transportation at the University of Tennessee. Dr. Langley is a Director of Averitt Express, Inc. In addition, he was a Director of UTi Worldwide, Inc. until its sale in 2016. He served on its audit committee and nominations and corporate governance committee.

Qualifications. Dr. Langley has spent over 40 years teaching, lecturing and consulting in the logistics field. The Board believes that he brings a breadth of knowledge and experience that the Board and management relies upon in discussing the Company’s strategy and opportunities.

G. MICHAEL LYNCHDirector since 2005
Age 74

Mr. Lynch served as the Company's Lead Independent Director from January 2009 to December 2011. He was Executive Vice President and Chief Financial Officer and a member of the Strategy Board for Federal-Mogul Corporation ("Federal-Mogul") from July 2000 until March 2008. Federal-Mogul is a global manufacturer and marketer of automotive component parts. Prior to joining Federal-Mogul in July 2000, Mr. Lynch worked at Dow Chemical Company, where he was Vice President and Controller. Mr. Lynch also spent 29 years at Ford Motor Company ("Ford"), where his most recent position was Controller, Automotive Components Division, which ultimately became Visteon Corporation. While at Ford, Mr. Lynch held a number of varied financial assignments, including Executive Vice President and Chief Financial Officer of Ford New Holland. Mr. Lynch served as Director for Champion Enterprises, Inc. from March 2003 to March 2011, where he served as Chairman of its audit committee.

Qualifications. Mr. Lynch brings over 40 years' experience of serving in key positions with Fortune 500 companies, and approximately 10 years' experience serving as a director on public company boards. The Board believes that Mr. Lynch utilizes that experience in his service as a member of the Corporate Governance and Nominating Committee and as Chairman of the Audit Committee.

CORPORATE GOVERNANCE

Independent Directors

The Company's common stock is listed on The Nasdaq Stock Market LLC ("Nasdaq"). Nasdaq requires that a majority of the Company's directors be "independent directors," as defined in Nasdaq Marketplace Rule 5605. Generally, a director does not qualify as an independent director if, among other reasons, the director (or in some cases, members of the director's immediate family) has, or in the past three years has had, certain material relationships or affiliations with the Company, its external or internal auditors, or other companies that do business with the Company. The Board has affirmatively determined that eight of the Company's nine current directors are "independent directors" on the basis of Nasdaq's standards and a review of each director's responses to questionnaires asking about any material relationships or affiliations with us.

The independent directors are Ronald W. Allen, Ana B. Amicarella, Valerie A. Bonebrake, C. Robert Campbell, R. Craig Carlock, C. John Langley, Jr., G. Michael Lynch and Javier A. Palomarez. Former directors Thomas S. Albrecht and Douglas M. Madden were determined by the Board to be independent during their respective periods of service on the Board.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines that give effect to Nasdaq's requirements related to corporate governance and various other corporate governance matters. The Company's Corporate Governance Guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term shareholder value. The topics addressed in our Corporate Governance Guidelines include:

- Lead independent director;
- Independence of the Board;
- Board membership criteria and role of the Board;
- Committees of the Board;
- Director orientation and continuing education;
- Independent director stock ownership guidelines;
- Director resignation policy in uncontested elections; and
- Leadership development and succession planning.

The Company's Corporate Governance Guidelines are available through the Investors—Governance link on the Company's website, www.forwardaircorp.com.

Independent Director Meetings

Pursuant to the Company's Corporate Governance Guidelines, the Company's independent directors meet in executive session without management on a regularly scheduled basis, but not less frequently than quarterly. The Lead Independent Director presides at such executive sessions or, in his or her absence, an independent director designated by such Lead Independent Director.

Interested parties who wish to communicate with the Chairman of the Board, Lead Independent Director, or the independent directors as a group should follow the procedures found below under "Shareholder Communications."

Director Nominating Process

Shareholders wishing to communicate with the Corporate Governance and Nominating Committee concerning potential director candidates may do so by writing to the Corporate Secretary at Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745, and including the name and biographical data of the individual being suggested.

All recommendations should include the written consent of the nominee to be nominated for election to the Board. To be considered, the Company must receive recommendations at least 90 calendar days but not more than 120 calendar days prior to the one year anniversary of the prior year's Annual Meeting of Shareholders and include all required information to be considered. In the case of the 2019 Annual Meeting of Shareholders, this deadline is between January 16, 2019 and February 15, 2019. All recommendations will be brought to the attention of the Corporate Governance and Nominating Committee.

The Corporate Governance and Nominating Committee annually reviews the appropriate experience, skills and characteristics required of Board members in the context of the current membership of the Board. This assessment includes among other relevant factors in the context of the perceived needs of the Board at that time, the possession of such knowledge, experience, skills, expertise and diversity to enhance the Board's ability to manage and direct the affairs and business of the Company.

The Board has established the following process for the identification and selection of candidates for director. The Corporate Governance and Nominating Committee, in consultation with the Chairman of the Board and Lead Independent Director, if any, periodically examines the composition of the Board and determines whether the Board would better serve its purposes with the addition of one or more directors. If the Corporate Governance and Nominating Committee determines that adding a new director is advisable, the Corporate Governance and Nominating Committee initiates the search, working with other directors and management and, if appropriate or necessary, a third-party search firm that specializes in identifying director candidates.

The Corporate Governance and Nominating Committee will consider all appropriate candidates proposed by management, directors and shareholders. Information regarding potential candidates shall be presented to the Corporate Governance and Nominating Committee, and it shall evaluate the candidates based on the needs of the Board at that time and the candidates' knowledge, experience, skills, expertise and diversity, as set forth in the Company's Corporate Governance Guidelines. In particular, the Board and the Corporate Governance and Nominating Committee believe that the Board should be comprised of a well-balanced group of individuals. Although the Board does not have a formal policy regarding board diversity, the Board believes that having diversity of knowledge, experience, skills and expertise among its members enhances the Board's ability to make fully informed, comprehensive decisions.

Potential candidates will be evaluated according to the same criteria, regardless of whether the candidate was recommended by shareholders, the Corporate Governance and Nominating Committee, another director, Company management, a search firm or another third party, except that in the case of shareholder recommendations, the Corporate Governance and Nominating Committee may also take into consideration the number of shares of Company stock held by the recommending shareholder and the length of time that such shares have been held. The Corporate Governance and Nominating Committee will submit its director candidate(s) recommendation to the Board for approval and recommendation to the shareholders.

Annual Performance Evaluations

The Company's Corporate Governance Guidelines provide that the Board shall conduct an annual evaluation to determine, among other matters, whether the Board and the Committees are functioning effectively. The Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are also required to each conduct an annual self-evaluation. The Corporate Governance and Nominating Committee is responsible for overseeing this self-evaluation process. The Board as a whole, and each of the Committees conducted their annual evaluations in 2017.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics that applies to all Company employees, officers and directors, which is available through the Investors—Governance link on the Company's website, www.forwardaircorp.com. The Code of Business Conduct and Ethics complies with Nasdaq and Securities and Exchange Commission (the "SEC") requirements. The Company will also mail the Code of Business Conduct and Ethics to any shareholder who requests a copy. Requests may be made by contacting the Secretary as described below under "Shareholder Communications."

Board Attendance

The Company's Corporate Governance Guidelines provide that all directors are expected to regularly attend meetings of the Board and committees on which they serve and are also expected to attend the Annual Meeting of Shareholders. During 2017, the Board held seven meetings. All of the incumbent directors who were on the Board during 2017 attended at least 75% of the aggregate number of meetings of the Board and meetings of committees of the Board on which they served during 2017. There were seven directors at the time of the 2017 Annual Meeting of Shareholders, each of whom attended the 2017 Annual Meeting of Shareholders.

Board Committees

The Board presently has four standing committees: an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. The charters of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, are available through the Investors—Governance link on the Company's website, www.forwardaircorp.com. With the exception of the Executive Committee, each committee has authority to engage legal counsel or other experts or consultants as it deems appropriate to carry out its responsibilities. Additional information regarding the functions of the Board's committees, the number of meetings held by each committee during 2017 and their present membership is set forth below.

The Board nominated each of the nominees for election as a director and each nominee currently is a director. Assuming election of all of the director nominees, the following is a list of persons who will constitute the Board following the meeting, including their current committee assignments.

<u>Name</u>	<u>Audit</u>	<u>Compensation</u>	<u>Executive</u>	<u>Corporate Governance and Nominating</u>
Bruce A. Campbell			X	
C. Robert Campbell			X	X
Ana B. Amicarella	X*			
Ronald W. Allen		X	X	Chair
Valerie A. Bonebrake	X			
R. Craig Carlock	X*	X		
C. John Langley, Jr.		Chair		
G. Michael Lynch	Chair*			X
Number of Meetings in 2017	5	5	0	5

* Audit Committee Financial Expert

Executive Committee. The Executive Committee is authorized, to the extent permitted by law and the Bylaws of the Company, to act on behalf of the Board on all matters that may arise between regular meetings of the Board upon which the Board would be authorized to act, subject to certain materiality restrictions established by the Board.

Audit Committee. The Audit Committee is responsible for overseeing the Company's financial reporting process on behalf of the Board. The Audit Committee engages the Company's independent registered public accounting firm, considers the fee arrangement and scope of the audit, reviews the financial statements and the independent registered public accounting firm's report, considers comments made by such firm with respect to the Company's internal control structure, and reviews the internal audit process and internal accounting procedures and financial controls with the Company's financial and accounting staff. In addition, the Audit Committee assists the Board in its oversight of the Company's legal compliance and ethics programs. A more detailed description of the Audit Committee's duties and responsibilities can be found in the Audit Committee Report on pages 47 - 48 of this Proxy Statement and in the Audit Committee Charter.

The Board has determined that each member of the Audit Committee meets the independence requirements under Nasdaq listing standards and the enhanced independence standards for audit committee members required by the SEC. In addition, the Board has determined that three of the four members of the Audit Committee meets the definition of an "audit committee financial expert," as that term is defined by the rules and regulations of the SEC.

Compensation Committee. The Compensation Committee is responsible for determining the overall compensation levels of the Company's executive officers and reviewing, approving and administering the Company's employee incentive plans and other employee benefit plans. Additionally, it reviews and approves the Compensation Discussion and Analysis for inclusion in the proxy statement (see pages 19 - 34 of this Proxy Statement). Furthermore, the Compensation Committee oversees management succession planning along with the Corporate Governance and Nominating Committee.

In fulfilling its responsibilities, the Compensation Committee may delegate its responsibilities to a subcommittee consisting of members of the Compensation Committee and, to the extent not expressly reserved to the Compensation Committee by the Board or by applicable law, rule or regulation, to any other committee consisting entirely of independent directors. The Company's Chief Executive Officer may not be present

during deliberations or voting regarding his or her compensation. To the extent helpful to the work of the Compensation Committee, however, the Company's Chief Executive Officer may be invited by the Compensation Committee to participate in discussion relating to his or her compensation that may precede further deliberation or voting.

The Compensation Committee engaged Meridian Compensation Partners, LLC ("Meridian"), an independent consultant, to assist it during 2017. During the year, the consultant reviewed materials prepared by management and provided the Compensation Committee with information on compensation trends, best practices and changes in the regulatory environment, in addition to providing executive compensation benchmarking information. Meridian provided no services other than those related to executive and director pay and related governance.

The Board has determined that each member of the Compensation Committee is independent pursuant to Nasdaq listing standards, Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, the Compensation Committee, considering all relevant factors, including those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act, is not aware of any conflict of interest that has been raised by the work performed by Meridian.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become Board members and recommending them to the Board for consideration. This responsibility includes all potential candidates, whether initially recommended by management, other Board members or shareholders. In addition, the Corporate Governance and Nominating Committee makes recommendations to the Board for Board committee assignments, develops and annually reviews the Company's Corporate Governance Guidelines, and otherwise oversees corporate governance matters. The Corporate Governance and Nominating Committee is also responsible for overseeing the annual evaluation of the Board and for periodically reviewing and making recommendations to the Board regarding director compensation for the Board's approval. Furthermore, the Corporate Governance and Nominating Committee oversees management succession planning along with the Compensation Committee.

A description of the Committee's policy regarding director candidates nominated by shareholders appears in the section titled "Director Nominating Process" above. The Board has determined that each member of the Corporate Governance and Nominating Committee is independent pursuant to Nasdaq listing standards.

Compensation Committee Interlocks and Insider Participations

During 2017, none of the members of the Compensation Committee were an officer or employee of the Company, and no executive officer of the Company served on the Compensation Committee or board of any company that employed any member of the Company's Compensation Committee or Board. Accordingly, there were no interlocks with other companies within the meaning of the SEC's proxy rules during 2017.

Certain Relationships and Related Person Transactions

The Audit Committee of the Board reviews all relationships and transactions in which the Company and its directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Other than as provided in the Audit Committee Charter, the Company does not have a written policy governing related person transactions. The Company's legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person

transactions and for then determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to the Company or a related person are required to be disclosed in a company's proxy statement. In addition, the Audit Committee reviews and approves or ratifies any related person transaction that is required to be disclosed. In the course of its review and approval or ratification of a disclosable related person transaction, the Audit Committee considers:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person; and
- the importance of the transaction to the Company.

Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction, provided, however, that such director may be counted in determining the presence of a quorum at a meeting of the Audit Committee when considering the transaction.

Based on information provided by the directors, director nominees and executive officers, and the Company's legal department, the Audit Committee determined that there are no related person transactions to be reported in this Proxy Statement.

Board Leadership Structure

In accordance with our Bylaws and Corporate Governance Guidelines, the Board is responsible for selecting the Chief Executive Officer and the Chairman of the Board, and both of these positions may be held by the same person or they may be held by two persons. The Company's Corporate Governance Guidelines require the election, by the Board, of an independent lead director to serve during any period when there is no independent Chairman of the Board. Currently, C. Robert Campbell serves as Lead Independent Director and he has served in that capacity since May of 2014.

The Company has operated for over ten years using a board leadership structure, in which the Chief Executive Officer also serves as Chairman of the Board. The Board believes that the Company, with its current Chief Executive Officer and Chairman, has been well-served by this leadership structure. Having Mr. Campbell serve as both Chief Executive Officer and Chairman of the Board demonstrates for the Company's employees, suppliers, customers and other stakeholders that the Company is under strong leadership, with a single person setting the tone and having primary responsibility for managing its operations. The Board believes having Mr. Campbell serve as Chief Executive Officer and Chairman of the Board is best for the Company and its shareholders at the present time. He has led the Company as Chief Executive Officer since 2003, has worked with two Chairmen and four Lead Independent Directors, is a recognized leader in the transportation industry and has all of the skills incumbent to serve as a board chair.

The Chairman of the Board is responsible for (a) chairing Board meetings and the Annual Meeting, (b) setting the agendas for these meetings, (c) attending Board committee meetings and (d) providing information to Board members in advance of each Board meeting and between Board meetings. The Lead Independent Director is responsible for (i) chairing executive sessions of the independent directors and communicating with management relating to these sessions, and presiding at all meetings of the Board at which the Chairman is not present, (ii) approving agendas and schedules for Board meetings and the information that

is provided to directors, and (iii) serving as a liaison between the Chairman and the independent directors. The Lead Independent Director also has the authority to call meetings of the independent directors.

The Board believes that, in addition to fulfilling our lead director responsibilities, the Lead Independent Director makes valuable contributions to the Company, including but not limited to: (a) monitoring the performance of the Board and seeking to develop a high-performing Board, for example, by helping the directors reach consensus, keeping the Board focused on strategic decisions, taking steps to ensure that all the directors are contributing to the work of the Board, and coordinating the work of the four Board Committees, (b) developing a productive relationship with our Chief Executive Officer and ensuring effective communication between the Chief Executive Officer and the Board, and (c) ensuring and supporting effective shareholder communications. Accordingly, the Board believes that the Company has benefited from having the Chairman/Chief Executive Officer as the leader of the Company, and having the Lead Independent Director serving as the leader of the independent directors.

On an annual basis, as part of our review of corporate governance and succession planning, the Board (led by the Corporate Governance and Nominating Committee) evaluates the Board's leadership structure, to ensure that it remains the optimal structure for the Company and its shareholders. The Board recognizes that different board leadership structures may be appropriate for companies with different histories and cultures, as well as companies with varying sizes and performance characteristics. The Board believes its current leadership structure—under which the Chief Executive Officer serves as Chairman of the Board, the Board Committees are chaired by independent directors and a Lead Independent Director assumes specified responsibilities on behalf of the independent directors—is presently the optimal board leadership structure for the Company and its shareholders.

Risk Oversight

On at least a quarterly basis, the Company's Chief Legal Officer provides a comprehensive risk report to the Audit Committee and the Board. While the Audit Committee has primary responsibility for overseeing financial risks, the Board is charged with overseeing the Company's enterprise risks. Accordingly, on an annual basis, the Board receives a report from the Company's Chief Legal Officer on the most significant risks that the Company is facing. The full Board also engages in periodic discussions about enterprise risk management with our Chief Legal Officer, Chief Executive Officer, Chief Financial Officer and other Company officers as the Board may deem appropriate. In addition, each of our Board Committees considers the risks within its area of responsibilities. For example, the Compensation Committee considers the risks that may be implicated by the Company's executive compensation programs, and the Corporate Governance and Nominating Committee considers the best governance structure and guidelines for the Company to minimize enterprise risks brought about by weak governance. The Board believes that its leadership structure supports the Board's effective oversight of the Company's enterprise risks.

DIRECTOR COMPENSATION

The general policy of the Board is that compensation for non-employee directors should be a mix of cash and equity-based compensation. The Company does not pay employee directors for Board service in addition to their regular employee compensation.

The Corporate Governance and Nominating Committee, which consists solely of independent non-employee directors, has the primary responsibility for reviewing and considering any revisions to the non-employee director compensation program.

In accordance with the Corporate Governance and Nominating Committee's recommendations, the non-employee directors' cash compensation program is as follows:

- an annual cash retainer of \$50,000 for all non-employee directors;
- an additional annual cash retainer of \$35,000 for the Lead Independent Director;
- an additional annual cash retainer of \$15,000 for the Audit Committee Chair;
- an additional annual cash retainer of \$7,500 for the Corporate Governance and Nominating Committee Chair;
- an additional annual cash retainer of \$10,000 for the Compensation Committee Chair; and
- an additional annual cash retainer of \$8,500 for all non-Chair Audit Committee members, an additional annual cash retainer of \$7,000 for all non-Chair Compensation Committee members and an additional annual cash retainer of \$5,000 for all non-Chair Corporate Governance and Nominating Committee members.

All directors are reimbursed reasonable travel expenses for meetings attended in person. The Company also reimburses directors for expenses associated with participation in continuing director education programs.

In addition, effective May 22, 2007, the Company's shareholders approved the Company's Amended and Restated Non-Employee Director Stock Plan, as further amended on February 8, 2013 and January 25, 2016 (the "Amended Plan"). Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director is automatically granted an award (the "Annual Grant") in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, the Annual Grants will become vested and non-forfeitable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the grant date or (b) the first anniversary of the grant date, so long as the non-employee director's service with the Company does not earlier terminate. In both 2016 and 2017, each non-employee director received restricted shares valued at \$86,000 pursuant to the Amended Plan.

Finally, the Board believes that directors more effectively represent the Company's shareholders, whose interests they are charged with protecting, if they are shareholders themselves. Therefore, the Board established certain independent director stock ownership guidelines which are set forth in the Company's Corporate Governance Guidelines. Specifically, the Company's independent directors are required to own shares of the Company's common stock, with a value equal to at least three times the annual cash retainer for independent directors. Each new independent director has three years from the date he or she joins the Board to obtain this ownership stake. As of April 5, 2018, each independent director was in compliance with his or

her individual retention requirements as set forth in the Company's Corporate Governance Guidelines. The following table shows the compensation the Company paid in 2017 to its non-employee directors, with the exception of Ms. Bonebrake, who joined the Board in 2018. The Company does not pay employee directors for Board service in addition to their regular employee compensation.

Name	Fees Paid in Cash (\$)	Stock Awards (\$ (1))	All Other Compensation (\$ (2))	Total (\$)
Thomas A. Albrecht(3)	\$ 25,594	\$ 75,491	\$ 169	\$ 101,254
Ronald W. Allen	64,500	86,000	674	151,174
Ana B. Amicarella	25,594	75,491	337	101,422
C. Robert Campbell	85,000	86,000	3,766	174,766
R. Craig Carlock	58,500	86,000	674	145,174
C. John Langley, Jr.	60,000	86,000	674	146,674
Tracy A. Leinbach(4)	22,313	-	1,717	24,030
Larry D. Leinweber(4)	22,313	-	236	22,549
G. Michael Lynch	70,000	86,000	674	156,674
Douglas M. Madden(3)	49,125	86,000	438	135,563
Javier A. Palomarez	24,938	75,491	337	100,766

- (1) Represents the aggregate grant date fair value of non-vested restricted shares and deferred stock unit awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The assumptions used in determining the grant date fair value of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC.
- (2) Represents dividend payments on non-vested restricted shares or dividend equivalents credited on deferred stock unit awards granted during 2017 and 2016. These dividend payments and dividend equivalents are non-forfeitable.
- (3) Resigned from the Board in 2017.
- (4) Retired from the Board in 2017.

The following table indicates the aggregate number of outstanding options held by each incumbent director (with the exception of Ms. Bonebrake, who joined the Board in 2018) at the end of 2017, and the aggregate number of deferred stock units or non-vested restricted shares held by each incumbent director at the end of 2017 and those shares or units that have not yet vested.

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Shares or Units of Stock Held That Have Not Vested
Ronald W. Allen	-	1,686
Ana B. Amicarella	-	1,405
C. Robert Campbell	-	6,875
R. Craig Carlock	-	1,686
C. John Langley, Jr.	-	1,686
G. Michael Lynch	-	1,686
Javier A. Palomarez	-	1,405

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of shares of our outstanding common stock held as of the Record Date by (i) each director and director nominee; (ii) our Chief Executive Officer, Chief Financial Officer, each of the next three most highly compensated executive officers, as required by SEC rules (collectively, the “Named Executive Officers”); and (iii) all directors and executive officers as a group. The table also sets forth information as to any person, entity or group known to the Company to be the beneficial owner of 5% or more of the Company’s common stock as of December 31, 2017.

Under SEC rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares the power to vote or direct the voting of the security, has or shares the power to dispose of or direct the disposition of the security, or has the right to acquire the security within 60 days. Except as otherwise indicated, the shareholders listed in the table are deemed to have sole voting and investment power with respect to the common stock owned by them on the dates indicated above. Shareholders of non-vested restricted shares included in the table are entitled to voting and dividend rights.

<u>Name and Address of Beneficial Owner (1)</u>	<u>Shares Beneficially Owned</u>		
	<u>Number</u>	<u>Percent (%) (2)(3)</u>	
Directors, Nominees and Named Executive Officers			
Bruce A. Campbell	265,301	(4)	*
Ronald W. Allen	12,121	(5)	*
Ana B. Amicarella	1,405	(6)	*
Valerie A. Bonebrake	562	(7)	*
C. Robert Campbell	21,841	(8)	*
R. Craig Carlock	4,608	(9)	*
C. John Langley, Jr.	24,545	(10)	*
G. Michael Lynch	9,940	(11)	*
Javier A. Palomarez	1,405	(12)	*
Michael J. Morris	14,956	(13)	*
Michael L. Hance	50,276	(14)	*
Matthew J. Jewell	78,058	(15)	*
Chris C. Ruble	30,944	(16) (17)	*
All directors and executive officers as a group (15) persons	574,720	(18)	1.95%
Other Principal Shareholders			
BlackRock, Inc.	3,707,696	(19)	12.5
The Vanguard Group, Inc.	2,784,938	(20)	9.4
ArrowMark Colorado Holdings LLC	2,000,178	(21)	6.7
Neuberger Berman Group LLC	1,570,408	(22)	5.3

* Less than one percent.

- (1) The business address of each listed director, nominee and Named Executive Officer is c/o Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745.
- (2) The percentages shown for directors, nominees and Named Executive Officers are based on 29,416,950 shares of common stock outstanding on the Record Date.
- (3) The percentages shown for the other principal shareholders are based on 29,687,771 shares of common stock outstanding on December 31, 2017.
- (4) Includes 135,649 options that are fully exercisable and 23,629 non-vested restricted shares
- (5) Includes 1,686 non-vested restricted shares
- (6) Includes 1,405 non-vested restricted shares
- (7) Includes 562 non-vested restricted shares

- (8) Includes 1,686 non-vested restricted shares and 561 deferred stock units
- (9) Includes 1,686 non-vested restricted shares
- (10) Includes 1,686 non-vested restricted shares
- (11) Includes 1,686 non-vested restricted shares
- (12) Includes 1,405 non-vested restricted shares
- (13) Includes 3,033 options that are fully exercisable and 9,456 non-vested restricted shares
- (14) Includes 29,217 options that are fully exercisable and 5,198 non-vested restricted shares
- (15) Includes 40,121 options that are fully exercisable and 5,198 non-vested restricted shares
- (16) Includes 8,441 options that are fully exercisable and 5,198 non-vested restricted shares
- (17) Includes 29 shares of Common Stock owned by Mr. Ruble's child with whom he shares voting and investment power with respect to such shares
- (18) Includes 67,202 non-vested restricted shares, 235,858 options that are fully exercisable and 561 deferred stock units
- (19) BlackRock, Inc. ("BlackRock"), 55 East 52nd Street, New York, New York 10055, reported beneficial ownership of the shares as of December 31, 2017 in a Schedule 13G/A filed with the SEC. BlackRock, a holding company, reported having sole voting power over 3,642,000 shares and sole dispositive power over 3,707,696 shares.
- (20) The Vanguard Group, Inc. ("Vanguard"), 100 Vanguard Boulevard, Malvern, Pennsylvania 19355, reported beneficial ownership of the shares as of December 31, 2017 in a Schedule 13G/A filed with the SEC. Vanguard, an investment adviser, reported having sole voting power over 57,207 shares, shared voting power over 3,746 shares, shared dispositive power over 58,699 shares and sole dispositive power over 2,726,239 shares.
- (21) ArrowMark Colorado Holdings LLC ("ArrowMark"), 100 Fillmore Street, Suite 325, Denver, Colorado 80206, reported beneficial ownership of the shares as of December 31, 2017 in a Schedule 13G/A filed with the SEC. ArrowMark, an investment adviser, reported having sole voting power over 2,000,178 shares and sole dispositive power of 2,000,178 shares.
- (22) Neuberger Berman Group LLC ("Neuberger"), 1290 Avenue of the Americas, New York, New York 10104, reported beneficial ownership of the shares as of December 31, 2017 in a Schedule 13G/A filed with the SEC. Neuberger, a holding company, reported having shared voting power over 1,560,008 shares and shared dispositive power over 1,570,408 shares.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is designed to provide our shareholders with a clear understanding of our compensation philosophy and objectives, compensation-setting process and the compensation elements and decisions of our named executive officers, or NEOs. As discussed in Proposal 3, we are conducting our annual Say on Pay vote that requests your approval of the compensation of our NEOs as described in this section and in the tables and accompanying narrative. To assist you with this vote, please review our compensation philosophies, the design of our executive compensation programs and how, we believe, these programs have contributed to and are aligned with our performance.

For 2017, our NEOs were:

Bruce A. Campbell	Chairman, President and CEO
Michael J. Morris	Senior Vice President and Chief Financial Officer
Matthew J. Jewell	President, Logistics Services
Chris C. Ruble	President, Expedited Services
Michael L. Hance	Senior Vice President, Chief Legal Officer and Secretary

Compensation Philosophy and Objectives

The Compensation Committee (the “Committee” for purposes of this Compensation Discussion and Analysis) has designed the executive compensation program to attract, develop, reward and retain quality management talent to facilitate the Company’s achievement of its annual, long-term and strategic goals. The Committee’s objective is to align executives’ interests with shareholders’ interests by creating a pay-for-performance culture at the executive level, with the ultimate objective of increasing shareholder value. Other objectives are to recognize the contributions of individual executives, provide market competitive pay opportunities and foster retention and executive stock ownership. Thus, while executive compensation should be directly linked to Company performance, it should also be an incentive for executives to continually improve individual performance thereby contributing to the Company’s success in meeting its short- and long-term financial, operational and strategic objectives.

Key Elements of Compensation Plan Design

Our executive compensation program is based on the following best practices:

<i>What We Do</i>	<i>What We Don't Do</i>
<ul style="list-style-type: none">▪ Provide pay opportunities that are appropriate to the size of the Company	<ul style="list-style-type: none">▪ Allow repricing or backdating of stock options without shareholder approval
<ul style="list-style-type: none">▪ Maintain a pay program that is heavily performance-based and uses multiple performance measures	<ul style="list-style-type: none">▪ Provide excise tax gross-ups
<ul style="list-style-type: none">▪ Disclose financial performance metrics and goals used in our incentives	<ul style="list-style-type: none">▪ Allow executive officers to hedge or pledge Company stock

- Create alignment between executives and shareholders through a long-term incentive linked to stock price and measurement of stock performance versus peer companies
- Provide special supplemental executive retirement programs
- Maintain meaningful executive stock ownership and retention guidelines
- Provide tax gross-ups on perquisites
- Annually review the risk profile of compensation programs and maintain risk mitigators
- Provide limited perquisites
- Provide moderate severance and change-in-control protection
- Beginning with 2016 awards, require double-trigger vesting on long-term equity awards
- Maintain a clawback policy allowing recovery of cash or equity-based compensation in certain circumstances
- Retain an independent compensation consultant engaged by, and who reports directly to, the Committee

2017 in Brief

In 2017, our team’s successful business plan execution in a strong freight market produced record high consolidated revenues and consolidated operating income. These record highs were achieved in the face of a tightening market for driver and third-party transportation provider capacity. Financial and operational highlights from 2017 include the following:

- Consolidated operating revenue increased by \$118.3 million, or 12.0%, to a record high \$1.1 billion for the year ended December 31, 2017 from \$982.5 million for the year ended December 31, 2016.
- Consolidated income from operations increased \$6.2 million, or 6.1%, for the year ended December 31, 2017 compared to \$102.4 million of consolidated adjusted income from operations for the year ended December 31, 2016. Income from operations in 2016 included a \$42.4 million impairment charge related to TQI Holding’s goodwill and other long lived assets. Reported consolidated income from operations increased \$48.6 million, or 81.0%, to a record high \$108.6 million for the year ended December 31, 2017 compared to a reported \$60.0 million in the prior year.
- Each of our four business segments achieved record high operating revenues in 2017. Expedited LTL, Truckload Premium Services (“TLS”), Pool Distribution (“Pool”) and Intermodal operating revenues were \$619.8 million, \$179.3 million, \$164.2 million, \$148.9 million, respectively, for the year ended December 31, 2017, which represents growth of 8.6%, 9.1%, 10.5% and 43.6%, respectively, compared to each segment’s respective operating revenues for the year ended December 31, 2016.
- Expedited LTL, Pool and Intermodal increased operating income to record highs in 2017. Expedited LTL income from operations increased by \$4.6 million, or 5.5%, to \$88.1 million for the year ended December 31, 2017 compared with \$83.5 million for the year ended December 31, 2016. Pool income

from operations increased by \$2.8 million, or 77.8% to \$6.4 million for the year ended December 31, 2017 from \$3.6 million for the year ended December 31, 2016. Intermodal's income from operations increased by \$1.7 million, or 15.5%, to \$12.7 million for the year ended December 31, 2017 compared with \$11.0 million for the same period in 2016.

- Intermodal continued executing its growth strategy by acquiring certain assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (together referred to as "Atlantic") as well as Kansas City Logistics, LLC. Intermodal's operating revenue increased \$45.2 million, or 43.6%, to \$148.9 million for the year ended December 31, 2017 from \$103.7 million for the same period in 2016. The increases in operating revenue were primarily attributable to the acquisitions.
- The Company's consolidated operating activities generated \$103.4 million of net cash for the year ended December 31, 2017. After utilizing \$59.2 million in cash in investing activities in 2017, the Company returned \$67.0 million to shareholders through dividends and our stock repurchase program.

Based on our financial and operational performance, our pay-for-performance philosophy and the design of our pay programs led to the following Committee actions and plan payouts to our Named Executive Officers for 2017:

- *Base salaries.* Approved base salary increases to our Named Executive Officers in January 2017 ranging from 3.0% to 7.5%. Mr. Campbell, our Chief Executive Officer, received no increase to his base salary in 2017. Messrs. Jewell and Ruble each received base salary increases of 3.0% in 2017. Mr. Morris received a 7.5% base salary increase in 2017 to bring his pay commensurate with market, and Mr. Hance received a 4% base salary increase in 2017.
- *Short-term incentive payouts.* Approved payouts to our Named Executive Officers under our annual incentive plan ranging from 51% to 125% of target with Mr. Campbell receiving 103% of target.
- *Long-term incentive grants.* Approved long-term incentive awards to our Named Executive Officers in the form of stock options, restricted stock and performance shares having generally the same weightings and terms as the 2016 awards. Like in 2016, the aggregate grant date fair value of the awards was \$1,500,000 for Mr. Campbell and \$330,000 for each other Named Executive Officer.
- *Long-term performance plan payouts.* Based on our total shareholder return relative to our peer companies, zero performance shares were earned for the January 2015 to December 2017 performance period. The intended value of those grants as reported in the 2016 proxy statement was \$833,333 for Mr. Campbell and \$110,000 for each of Messrs. Jewell, Ruble and Hance. Mr. Morris was not an employee at the time the grants were made.

Role of Shareholder Say on Pay Vote

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a "say on pay proposal"). At the Company's annual meeting of shareholders held in May 2017, approximately 97% of the votes cast on the say on pay proposal were voted in favor of the proposal. The Committee believes this outcome affirms shareholders' support of our approach to executive compensation and we generally did not change our approach in 2017 based upon the results of this advisory vote. The Committee will continue to consider the outcome of say on pay votes when making future compensation decisions for the Named Executive Officers.

Role of the Compensation Committee

The Compensation Committee is responsible for reviewing and approving executive compensation policies, plan designs and the compensation of our senior officers, including our Named Executive Officers. The Committee considers various factors in making compensation determinations, including the officer's responsibilities and performance, the effectiveness of our programs in supporting short-term and long-term financial, operational and strategic objectives, and overall financial performance. The Committee coordinates the full Board's annual review of the Chief Executive Officer's performance and considers the Board's assessment in its compensation decisions related to the Chief Executive Officer.

To this end, the Committee conducts an annual review of executive officer pay levels, reviews market data updated periodically by the independent consultant, approves changes to program designs (including post-termination arrangements) based on an assessment of competitive market practice and emerging trends, oversees the development of succession plans, and evaluates the risks associated with our executive compensation programs.

Role of the Compensation Consultant

The Committee has selected and directly retains the services of Meridian Compensation Partners, LLC ("Meridian"). The Committee periodically seeks input from Meridian on a range of external market factors including evolving compensation trends, appropriate peer companies and market survey data. Meridian also provides general observations on the Company's compensation programs, but it does not determine or recommend the amount or form of compensation for the Named Executive Officers. During 2017, Meridian attended all five Committee meetings. The Committee determined that Meridian was independent during 2017 per Nasdaq listing standards and had no conflicts of interest to disclose.

Role of Executive Officers in Compensation Decisions

At the request of the Compensation Committee, the Chief Executive Officer makes recommendations regarding base salary, annual incentive pay and long-term equity incentive awards for the other Named Executive Officers and provides the Committee with justification for such awards. In forming his recommendations he considers information provided by the Senior Vice President of Human Resources and assessments of individual contributions, achievement of performance objectives and other qualitative factors. While the Committee gives great weight to the recommendations of the Chief Executive Officer, it has full discretion and authority to make the final decision on the salaries, annual incentive awards and long-term equity incentive awards as to all of the Named Executive Officers. The Chief Executive Officer does not make recommendations concerning his own compensation and is not present during deliberations and voting regarding his own compensation.

The Chief Executive Officer, Senior Vice President of Human Resources, Chief Financial Officer and Chief Legal Officer regularly attend Compensation Committee meetings at the Committee's request. The Senior Vice President of Human Resources typically presents recommendations for program design changes and individual pay levels for executive officers (except for his own), taking into consideration individual performance of each incumbent, appropriate benchmarking information and issues that may arise from an accounting, legal and tax perspective.

Setting Executive Compensation

Based on the foregoing objectives, we have structured executive compensation to motivate executives to achieve our business goals and to reward the executives for achieving such goals.

For the fiscal year ended December 31, 2017, the components of compensation for Named Executive Officers were:

- base salary;
- annual incentive compensation;
- long-term equity incentive compensation; and
- retirement and other benefits (available to all employees).

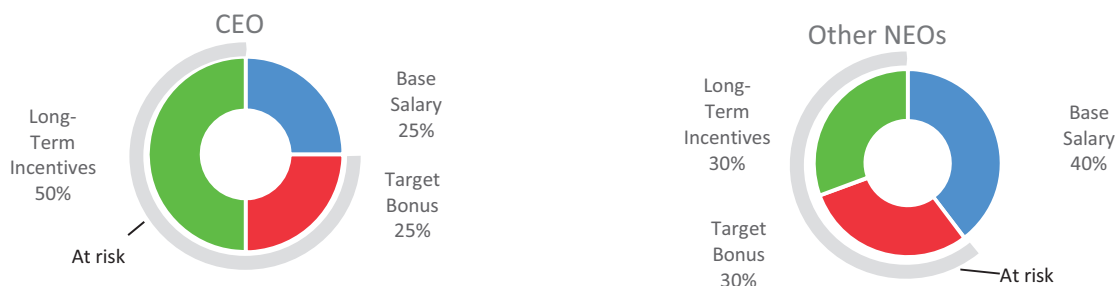
The Committee combines these elements, particularly base salary and short and long-term incentives, to provide a total compensation package designed to attract highly qualified individuals and provide incentive to align efforts and motivate executives to deliver company performance that creates shareholder value. The total value of the compensation package is weighted towards the variable incentive components.

At the beginning of 2017, the Compensation Committee established a total target compensation for each Named Executive Officer comprised of base pay, annual incentives and long-term incentives (“LTI”). The Committee referred to market data included in Aon Hewitt’s Total Compensation Measurement general industry database which is periodically provided by the Committee’s independent compensation consultant. When utilizing the Aon Hewitt data, the Committee focused on pay opportunities at the size-adjusted 50th percentile of the market for executives holding similar positions. The Committee considered the data as one of the factors in considering an executive’s total target compensation, but also considered other factors such as the experience level of the individual, the value of the individual executive to the Company, the individual’s position within the Company, existing and prior year awards for the individual and other factors.

In 2017, the total target compensation set at the beginning of the year for the Named Executive Officers is set forth in the chart below.

<u>NEO</u>	<u>Base Salary</u>	<u>Target Annual Incentive</u>	<u>Target Long-Term Incentive</u>	<u>Total Target Compensation</u>
Mr. Campbell	\$ 750,000	\$ 750,000	\$ 1,500,000	\$ 3,000,000
Mr. Morris	409,000	306,750	330,000	1,045,750
Mr. Jewell	464,000	348,000	330,000	1,142,000
Mr. Ruble	464,000	348,000	330,000	1,142,000
Mr. Hance	374,000	280,500	330,000	984,500

Our compensation programs are designed to motivate strong annual and long-term performance. We set a majority of total compensation (base salary, annual incentives and long-term incentives) for the Named Executive Officers to be “at risk”, meaning that the compensation is earned by meeting annual or long-term performance goals or is influenced by stock price. The 2017 compensation elements with “at risk” components are as follows:



The compensation that an executive actually receives will differ from that executive’s target compensation for a variety of reasons. Annual incentive payouts are based on Company performance against financial targets and achievement of individual and business objectives. Compensation realized from long-term incentive awards is dependent upon stock price increases and stock performance versus peer companies.

Base Salary

The objective of base salary is to reflect the base market value of the executive’s role. It is designed to reward core competence in roles that are complex and demanding. We choose to pay base salary because it is required for talent attraction and retention.

Base salaries for 2017 for the Named Executive Officers were determined for each executive based on position and responsibility and by reference to market data. The Committee also considers factors such as internal pay equity, level of experience and qualifications of the individual, scope of responsibilities and future potential, goals, succession planning and objectives established for the executive as well as the executive’s past performance. The base salaries for the Named Executive Officers for the fiscal year ended December 31, 2017 are set forth in the “Salary” column of the Summary Compensation Table on page 35 of this Proxy Statement.

Annual Incentive Compensation

The objective of our annual cash incentive plan is to focus on attaining specific short-term financial and business goals that lead to our long-term success and promote retention of our executive talent. The annual cash incentive plan is designed to reward achievement of operating income targets and individual objectives important to the Company’s short-term and long-term success. Payments made under the annual incentive compensation program to the Named Executive Officers are made in cash and are calculated to a certain percentage of the executive’s annual base salary pay as described in more detail below.

In order to maximize the tax deductibility of these amounts, the Committee set a limitation on the 2017 short-term incentive payouts for each Named Executive Officer, and in so doing, intended for such payouts to meet the definition of qualified performance-based compensation under Section 162(m) of the IRC. In 2017, the Compensation Committee determined that the maximum award payable to the CEO would not exceed the lesser of 1.5% of 2017 operating income or \$10 million, and to each other executive officer would not exceed the lesser of 0.75% of 2017 operating income or \$10 million. As permitted under Section 162(m) of the IRC, the Compensation Committee exercised negative discretion to reduce each executive officer’s annual cash incentive award based upon Company and individual performance. In December 2017, the U.S. tax code was amended by the Tax Cuts and Jobs Act of 2017 (“Tax Act”), restricting the availability of tax deductibility for executive compensation paid to our NEOs. The Committee is continuing to assess the impact of the Tax Act on our compensation programs. Payments made under the annual incentive compensation program were made in cash, calculated as a percentage of annual base salary as described in more detail below.

2017 Target Annual Cash Incentive Plan Opportunity. Each executive's annual cash incentive plan target opportunity for 2017 is shown below and is unchanged from 2016.

Annual Cash Incentive Plan Target Opportunities	
Executive	Total Target Annual Cash Incentive Plan Opportunity as Percentage of Base Salary
Campbell	100%
Jewell, Morris, Ruble, Hance	75%

The components of the Annual Incentive Plan for each Named Executive Officer and their weighting with respect to the Total Cash Incentive Opportunity are reflected in the chart below.

Annual Cash Incentive Plan		
Executive	Components of Plan	Weighting of Total Cash Incentive Opportunity
Campbell, Morris and Hance	(1) Corporate Performance	80%
	(2) Individual Performance	20%
Ruble and Jewell	(1) Business-Segment Performance	50%
	-Ruble: Expedited LTL	
	-Jewell: Truckload Premium and Intermodal	
	(2) Corporate Performance	30%
	(3) Individual Performance	20%

Payout under each component can range from 0% of target (when threshold performance is not achieved) to 200% of target (when maximum or performance above target is achieved).

Corporate Performance and Business-Segment Performance Operating Income Goals. The Committee established corporate and business-segment operating income goals for 2017 and corresponding incentive payments for achievement of such goals. Goals were set to represent four incremental performance levels: low, target, high and stretch. The target level for operating income generally reflects our internal business plan at the time the target is established, subject to adjustment to take into account known headwinds or tailwinds and other economic conditions. Low, high and stretch levels are designed to provide a smaller award for lower levels of acceptable performance (low) or reward exceptional levels of performance (high and stretch). Payout for performance between points is interpolated on a straight-line basis. The Committee retains discretion as to the amount of the ultimate short-term incentive to be paid.

The 2017 operating income goals and corresponding performance levels are noted below.

Operating Income	Low	Target	High	Stretch	FY 2017 Results	% of Target Payout
Corporate (1)	\$94,348	\$107,769	\$120,318	\$124,804	\$108,672	103.9%
Business-Segment						
- Expedited LTL (2)	\$75,903	\$84,320	\$88,303	\$90,871	\$88,142	148.0%
- TLS and Intermodal (3)	\$19,616	\$23,299	\$29,023	\$30,049	\$15,921	0.0%
% of Target Payout	50%	100%	150%	200%		

- (1) Reflects an increase approved by the Committee in mid-2017 to include the Atlantic acquisition. The target represents a 5.2% increase over adjusted operating income for 2016 (which excluded a \$42.4 million impairment charge related to the TQI acquisition).
- (2) Target represents a 1% increase from 2016 results and reflects operational headwinds which the Committee identified at the time the target was established.
- (3) Target represents a 29% increase from 2016 results (which were adjusted to exclude the impairment charge discussed above).

Individual Objectives. Individual personal objectives specific to each executive officer position were set at the start of the fiscal year. At the end of the fiscal year, the Chief Executive Officer evaluated the performance of the other Named Executive Officers against those personal objectives, taking into account the extent to which the goals were met, unforeseen financial, operational and strategic issues of the Company, and any other information deemed relevant. The Compensation Committee reviewed and approved this performance evaluation and evaluated the performance of the Chief Executive Officer in a similar manner with input from the full Board. Based on the results of this review, the Committee determined the amount of awards, if any, made in connection with an executive's attainment of the executive's individual objectives.

2017 Annual Incentive Payout. The Committee met in February 2018 to determine whether the Company's 2017 performance merited payment to the Named Executive Officers under the annual cash incentive plan, and, if so, to determine the amount of such incentive awards.

- Corporate Performance Component: Income from operations was \$108.7 million, which resulted in a payout of 103.9% of the total target Corporate Performance annual incentive opportunity.
- Business-Segment Performance Component: Expedited LTL's adjusted income from operations was \$88.1 million, which resulted in a payout of 148% of the target Business-Segment Performance incentive opportunity for Mr. Ruble. The aggregate performance of TLS and Intermodal did not achieve the threshold level of performance, and therefore Mr. Jewell received no payout under the Business-Segment Performance Component of the program.
- Individual Performance: The Committee also considered performance against the individual objectives set for the Named Executive Officers. In 2017, those individual objectives encompassed:
 - contributions to meeting established corporate and departmental goals;
 - contributions to succession and talent development initiatives;
 - continuous improvement of business and functional operations; and
 - personal development in areas of leadership, planning and teamwork.

After a performance appraisal of each executive officer and a review of their achievement of the personal goals which had been set for them, Mr. Campbell recommended to the Committee an achievement of 100% of target for each Named Executive Officer's personal individual objectives, which they approved. The Compensation Committee evaluated the performance of the Chief Executive Officer in a similar manner, and based on its review determined that Mr. Campbell also achieved his personal individual objectives for 2017 at target levels.

The actual awards made to each Named Executive Officer under the Operating Income and Individual Objectives Component of the annual cash incentive plan are shown in the chart below.

Executive	Corporate Performance Component	Individual Objectives Component	Business-Unit Performance Component	Total Payout Under 2017 Annual Cash Incentive Plan
Mr. Campbell	\$623,400	\$150,000	N/A	\$773,400
Mr. Morris	254,971	61,350	N/A	316,321
Mr. Jewell	108,472	69,600	0	178,072
Mr. Ruble	108,472	69,600	257,520	435,592
Mr. Hance	233,152	56,100	N/A	289,252

Long-Term Equity Incentive Awards

The objective of providing long-term incentives (LTI) is to focus the Named Executive Officers on metrics that lead to increased shareholder value over the long term, enhance long-term thinking in general and retain executives. Our long-term incentives are specifically designed to reward stock price increase, stock performance relative to industry peer companies and continued employment.

At the beginning of 2017, the Committee established target values for each Named Executive Officer for the total LTI component and made grants consisting of three types of awards: stock options, restricted stock and performance shares. There were no changes to the total long-term incentive target value for any of the Named Executive Officers from 2016 levels. The Committee made grants to Messrs. Campbell, Jewell, Ruble and Hance consisting of one-third in value each of stock options, restricted stock and performance shares.

The Committee approved the following target long-term incentive awards for the Named Executive Officers for 2017:

Executive	2017 Stock Option Grant	2017 Restricted Stock Grant	2017 Target Performance Share Grant	2017 Total Long-Term Incentive Award
Mr. Campbell	\$500,000	\$500,000	\$500,000	\$1,500,000
Mr. Morris	110,000	110,000	110,000	330,000
Mr. Jewell	110,000	110,000	110,000	330,000
Mr. Ruble	110,000	110,000	110,000	330,000
Mr. Hance	110,000	110,000	110,000	330,000

Equity-based awards. The value to the executive of all three components comprising long-term equity compensation in 2017 (stock options, restricted stock and performance shares) is impacted by the performance of the Company's stock.

- A stock option provides value to the executive only if share price increases.
- Restricted stock becomes more valuable to the executive if our stock price increases, and the executive shares in the downside risk of a decline in our stock price.
- The number of performance shares earned, if any, will depend on how the Company's stock performs relative to transportation industry peers.

As it is possible that there will be no payout under the performance shares or value earned under the stock options, these awards are completely “at-risk” compensation. This emphasis on at-risk compensation in the LTI awards accomplishes our goal of creating a pay-for-performance culture at the executive level, while striking the appropriate balance between risk, retention and reward. Each element of the LTI is discussed in more detail below. See *Change-in-Control Treatment of 2017 Long Term Equity Awards* for a discussion of the treatment of 2017 long-term incentives upon a change in control.

Stock Options. A stock option is the right to purchase the Company's common stock at a fixed price for a defined period of time. In 2017, grant sizes of stock options for the Named Executive Officers were calculated generally by multiplying the target LTI economic value by the weighting assigned to the options component and dividing it by the value of a single option determined under the Black-Scholes methodology and based on assumptions used for recognizing expense in our financial statements contained in our Annual Report in accordance with generally accepted accounting principles (“GAAP”). For the 2017 option grant, the grant date fair value was \$12.83 per share.

The exercise price for options was equal to the closing price of our common stock on the date the option was granted, \$47.82. The options vest evenly over a three-year period. Consistent with option grants to the Chief Executive Officer over the past four years, options granted to Mr. Campbell in 2017 were subject to a financial performance standard whereby vesting was contingent upon the Company's achievement of pre-established annual operating income goals within a three-year period. All of the options granted to the Named Executive Officers will expire if not exercised within seven years of the grant date. To the extent not earlier vested, these options will vest upon the death or disability of the recipient.

Restricted Stock. A share of restricted stock is a share of the Company's common stock that is subject to vesting requirements based on continued employment. Restricted stock grant sizes are calculated generally by multiplying the target LTI economic value by the weighting assigned to the restricted stock component and dividing it by the value of a single share of common stock determined using the estimated grant date fair value. The estimated grant date fair value of the restricted shares awarded to the Named Executive Officers in February 2017 was \$47.82, the closing price of the Company's common stock on the date of grant.

Shares granted under restricted stock awards are restricted from sale or transfer until vesting occurs, and restrictions lapse in three equal installments beginning one year after the date of grant. Dividends are paid in cash on a current basis throughout the vesting period.

Performance Shares. A performance share is the right to receive a share of Company common stock based upon the achievement of certain performance criteria. Performance share grant sizes awarded in 2017 were calculated by multiplying the target LTI economic value by the weighting assigned to the performance share component and dividing it by \$56.44, the value of a single performance share on the date of grant determined using a Monte Carlo valuation model.

Awards made to the Named Executive Officers under the Amended and Restated Stock Incentive Plan (the “Stock Incentive Plan”) and the 2016 Omnibus Incentive Compensation Plan (the “Omnibus Plan”) for the

fiscal year ended December 31, 2017 are set forth in the Grants of Plan-Based Awards for Fiscal 2017 Table on page 38 of this Proxy Statement.

Performance shares are earned on the basis of our Total Shareholder Return (“TSR”) measured over a three-year period, relative to the TSR of a peer group of transportation companies. For performance share awards made prior to and including 2015, the following 12 companies were included in the TSR peer group:

C.H. Robinson Worldwide, Inc.	Knight Transportation, Inc.
Con-way, Inc.	Landstar System, Inc.
Expeditors International of Washington, Inc.	Old Dominion Freight Line, Inc.
FedEx Corporation	United Parcel Service, Inc.
Hub Group, Inc.	UTi Worldwide, Inc.
J.B. Hunt Transport Services, Inc.	Werner Enterprises, Inc.

In 2015, the Committee adjusted the peer group for performance share awards made in 2016 by removing UTi Worldwide, Inc. and Con-Way, Inc., both of which were acquired in 2015, and adding XPO Logistics, Inc. and Roadrunner Transportation Systems, Inc. No changes were made to the TSR peer group in 2017.

- TSR reflects price appreciation and reinvestment of dividends.
- Share price appreciation is measured as the difference between beginning market price and ending market price as follows:
 - Beginning market price equals the average closing price on the 30 trading days immediately preceding and including the first day of the performance period.
 - Ending market price equals the average closing price on the last 30 trading days of the performance period.

The actual number of performance shares earned is based on the percentile of our TSR among the TSRs of the comparator group companies described above during the three-year performance period. The performance shares pay out in shares of our common stock, shortly after the close of the three-year performance period, in a range of 0 percent to 200 percent of the number of performance shares awarded. The chart set forth below determined the percent of a target award to be paid for grants made in 2017. Payout for performance between points is calculated using straight-line interpolation.

<u>Performance Level</u>	<u>Payout (as a % of Target)</u>
90 th percentile or higher	200%
70 th percentile	150%
50 th percentile	100%
25 th percentile	50%
Below 25 th percentile	0%

Dividends are not paid on unvested performance shares. Performance shares vest upon the death or disability of the recipient, as well as upon involuntary termination of employment in connection with or within 24 months after the change in control as such term is defined in the Stock Incentive Plan or Omnibus Plan, as applicable.

2015 Performance Shares. Based on our TSR for the January 2015 to December 2017 performance period, we ranked at the 18th percentile of our transportation industry peer group. As a result, no performance shares were earned for that period.

Change-in-Control Treatment of 2017 Long Term Equity Awards

Beginning with long-term incentive grants made in 2016, vesting of such awards upon a change in control is double-trigger (i.e., not accelerated unless the awards are not assumed or converted by the acquirer or in the event there is an involuntary termination of employment in connection with or within 24 months after the change in control).

Upon such change-in-control-related vesting event:

- stock options will become fully vested and exercisable and may be exercised within 90 days thereafter but not beyond their expiration date. If the stock options are cancelled in the change in control transaction, they will become exercisable in full immediately before such cancellation.
- restricted shares will become fully vested and transferable.
- the target number of performance shares will vest or, if greater, the number of performance shares that would have become vested on the vesting date based on the Company's TSR ranking calculated through the executive's last day of service.

Retirement and Other Benefits

Our Named Executive Officers received the same retirement and other benefits as other employees at the Company. We choose to pay these benefits to meet the objective of having a competitive retirement and benefit package in the marketplace. Retirement benefits reward employees for saving for their retirement and for continued employment. Welfare benefits such as medical and life insurance reward continued employment.

All full-time Company employees, including the Named Executive Officers, are entitled to participate in the 401(k) retirement savings plan. Under that plan, for each pay period, the Company provides a \$0.25 matching contribution for every dollar an employee elects to defer into the 401(k) plan, limited to elective deferrals up to 6% of the employee's compensation for the pay period. The matching contribution is subject to the rules and regulations on maximum contributions by individuals under such a plan. Matching contributions to the Named Executive Officers for the fiscal year ended December 31, 2017 are reflected in the "401(k) Match" column of the All Other Compensation Table on page 36 of this Proxy Statement.

Additionally, all full-time employees, including the Named Executive Officers, are eligible to participate in the 2005 Employee Stock Purchase Plan (the "ESPP") upon enrolling in the ESPP during one of the established enrollment periods. Under the terms of the ESPP, eligible employees can purchase shares of the Company's common stock through payroll deduction and lump sum contributions at a discounted price. The purchase price for such shares of common stock for each option period, as described in the ESPP, will be the lower of: (a) 90% of the closing market price on the first trading day of an option period (there are two option periods each year—January 1 to June 30 and July 1 to December 31) or; (b) 90% of the closing market price on the last trading day of the option period. Under the ESPP, no employee is permitted to purchase more than 2,000 shares of the Company's common stock per option period or shares of common stock having a market value of more than \$25,000 per calendar year, as calculated under the ESPP.

The Named Executive Officers are also eligible to participate in the Company's health, dental, disability and other insurance plans on the same terms and at the same cost as such plans are available to all full-time employees. The Company does not have a supplemental executive retirement plan or one that provides for the deferral of compensation on a basis that is not tax-qualified.

Severance Arrangements

The Company maintains an employment agreement with Mr. Campbell, which was put in place to secure his services and provide for certain benefits upon termination of employment, and also to protect the Company's interests by imposing confidentiality, noncompetition, non-solicitation and other restrictive covenants. Under Mr. Campbell's Employment Agreement dated October 30, 2007, described in detail below, if the Company were to terminate Mr. Campbell without "just cause," then he would be entitled to receive (i) his base salary for the longer of one year from the date of termination or the remainder of the then-pending term of the Employment Agreement but not to exceed two years; (ii) any unpaid bonus amounts previously earned; and (iii) continued insurance coverage for one year from the date of such termination. In the event of a change in control, Mr. Campbell may elect to resign and receive (a) his base salary for one year following the date of the change of control; and (b) a cash bonus equal to the prior year's year-end cash bonus, plus any unpaid bonus amounts previously earned. The payments due to Mr. Campbell in the event he is terminated without "just cause" or following a change in control are set forth in the "Termination without Cause and Change of Control" columns of the 2017 Potential Payments upon Termination, Change of Control, Death and Disability Table on pages 44 - 45 of this Proxy Statement.

Our other executive officers do not have employment contracts, but are covered by an executive severance and change in control plan (the "Severance Plan"), which became effective January 1, 2013. All Named Executive Officers (other than the Chief Executive Officer whose severance is governed by the terms of his employment agreement), along with other senior officers, are participants in the Severance Plan. The objectives of the Severance Plan are to enhance the attraction and retention of executive talent during corporate upheaval, enable management to evaluate and support potential transactions that might be beneficial to shareholders even though the result would be a change in control of the Company, and obtain important corporate protections upon terminations of employment. The plan is designed to reward executives for remaining employed when their prospects for continued employment following a change in control or other corporate upheaval may be uncertain. We chose to adopt the plan to protect shareholder value in such events by increasing the possibility of retaining an intact management team.

The severance benefits available to our Named Executive Officers under the Severance Plan are described in more detail under the Section entitled "2017 Potential Payments upon Termination, Change of Control, Death or Disability" on pages 43 - 45 of this Proxy Statement and in the table set forth on pages 44 - 45 of that Section.

Tax and Accounting Implications

The Committee and management consider the accounting and tax effects of various compensation elements when designing our annual incentive and equity compensation plans and making other compensation decisions. Although the Committee designs the Company's plans and programs to be tax-efficient and to minimize compensation expense, these considerations are secondary to meeting the overall objectives of the executive compensation program.

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally disallows a federal income tax deduction to public corporations for compensation greater than \$1 million paid for any fiscal year to the corporation's chief executive officer and to

the three most highly compensated executive officers other than the chief executive officer or chief financial officer. However, certain forms of performance-based compensation are excluded from the \$1 million deduction limit if specific requirements are met. It is the policy of the Committee to periodically evaluate the qualification of compensation for exclusion from the \$1 million deduction limit under Section 162(m) of the Code, while maintaining flexibility to take actions with respect to compensation that it deems to be in the interests of the Company and its shareholders which may not qualify for tax deductibility.

Accounting for Executive Compensation. We account for stock-based compensation in accordance with GAAP. Consequently, stock-based compensation cost is measured at the grant date based on the fair value of the award in accordance with FASB ASC Topic 718. We generally recognize stock-based compensation expense ratably over the vesting period of each award except as required otherwise by FASB ASC Topic 718.

Other Compensation and Governance Policies

Risk Management

Our incentive program rewards reasonable risk-taking, accomplished through both program design and Committee processes.

Program design features for Named Executive Officers that mitigate risk include the following:

- Balanced mix of pay including substantial base salary (fixed compensation) and a balance of annual (cash) and long-term (equity) incentives;
- Capped short-term incentives;
- Short-term incentive goals tied to financial goals of corporate-level strategic plan;
- Annual equity-based incentive grants without backdating or repricing;
- Stock ownership guidelines applicable to senior executive officers, as described below;
- Prohibition on hedging and pledging Company stock, as described below; and
- A compensation recoupment or “clawback” policy, as described below.

Committee processes mitigating risk include:

- Overall administration of executive plans by the Committee;
- Reasonable short-term incentive goals;
- Financial performance objectives based upon budget objectives that are reviewed and approved by the Committee and the Board;
- Avoidance of steep payout cliffs;
- Ongoing and active discussion of the Committee with management regarding process on short-term and long-term goals; and
- Committee authority to pay less than the maximum short-term incentive amount after assessing the overall contribution and performance of the executive officers.

Other incentive programs either have similar characteristics or are small in amount.

Stock Ownership Guidelines

The Company has adopted executive stock ownership and retention guidelines (the “Ownership Guidelines”). These Ownership Guidelines are applicable to executive officers, including the Named Executive Officers. Our Ownership Guidelines are designed to increase executives’ equity stakes in the Company and to align executives’ interests more closely with those of shareholders. The Ownership

Guidelines require covered executives to own, and hold during his or her tenure with the Company, shares of the Company’s common stock sufficient in number to satisfy the relevant amount specified below as a multiple of the executive’s annual base salary. Effective February 6, 2018, these Ownership Guidelines were amended to increase the ownership multiples applicable to the Named Executive Officers and other executive officers as reflected in the chart below:

Position	Value of Common Stock to be Owned
Chief Executive Officer	6 times base salary
Presidents, CFO and CLO	3 times base salary
All other executive officers	2 times base salary

Until the executive achieves the applicable ownership level, he or she is required to retain 50% of the net number of shares of common stock acquired through Company-provided stock-based awards, the vesting of restricted stock awards, the delivery of shares in settlement of stock units or performance share awards, or the delivery of shares to the executive through any other incentive compensation arrangement. This retention requirement applies only to stock-based awards that are granted on or after January 1, 2013. No retention requirement applies under the Ownership Guidelines to shares acquired in excess of the requisite ownership level. Shares underlying unexercised stock options and unvested or unearned performance share awards or performance units do not count towards the stock ownership guidelines. Effective February 6, 2018, the Ownership Guidelines were amended to allow unvested restricted stock and unvested stock units to count towards the stock ownership guidelines.

Prohibition Against Hedging and Pledging

The Company’s Insider Trading Policy prohibits executive officers from engaging in any form of hedging transaction. In addition, the policy prohibits executive officers from holding Company securities in margin accounts and from pledging Company securities as collateral for loans. The Company believes that these policies further align our executives’ interests with those of our shareholders.

Policy on Recoupment of Executive Compensation

The Company has adopted a discretionary incentive compensation clawback policy (the “Recoupment Policy”) that applies to its executive officers, including the Named Executive Officers, and certain other specified employees. This policy allows the Company to seek reimbursement with respect to incentive compensation paid or awarded to executive officers if the executive engaged in fraudulent or illegal conduct to the material detriment of the Company, or if the executive is terminated for fraudulent or illegal conduct that materially harms the business or reputation of the Company. Additionally, the Company can seek reimbursement under the Recoupment Policy if a determination is made that the Company is required to file an accounting restatement with the SEC that resulted from either the intentional misconduct of the executive officer or, regardless of the existence of intentional misconduct, results in a material negative revision of a financial or operating measure that was used to determine incentive compensation. The Recoupment Policy allows the Company to recover incentive compensation awarded to the affected executive officers, including, but not limited to, bonuses, annual, periodic or long-term cash incentive compensation, stock-based awards and the Company stock acquired thereunder, and sale proceeds realized from the sale of Company stock acquired through stock-based awards. All actions taken and decisions made relating to the Recoupment Policy are in the Committee’s sole and absolute discretion. The Company expects to update the Recoupment Policy when the regulations mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended, are implemented by the SEC.

Key Provisions of Stock Incentive Plan and Omnibus Plan

The Company's Stock Option and Incentive Plan and Omnibus Plan incorporate certain terms and procedures that reflect the current compensation philosophy of the Company's Compensation Committee. Specifically, both plans prohibit the re-pricing or cash-out of underwater stock options and SARs without prior shareholder approval. They also provide that the taking of certain permitted actions affecting outstanding awards in the event of a change in control of the Company will be conditioned upon the consummation of the transaction giving rise to the change in control and will not be taken with respect to any awards that are subject to the provisions of Section 409A of the Internal Revenue Code ("Section 409A") if the action would result in a violation of Section 409A. Finally, awards granted under the Stock Incentive Plan and Omnibus Plan are made subject to the Recoupment Policy on incentive compensation.

Compensation Committee Report on Executive Compensation

The information contained in this report shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Forward Air Corporation specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act. The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the Form 10-K filed with the SEC.

Submitted by:
C. John Langley, Chairman
Ronald W. Allen
R. Craig Carlock
Javier A. Palomarez
The Compensation Committee of the Board of Directors

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the compensation earned in 2017, 2016 and 2015 by the Named Executive Officers.

Name & Principal Position	Year	Salary (\$)	Stock Award(s) (\$ (1))	Option Award(s) (\$ (2))	Payments Under Non-Equity Incentive Plan Compensation (\$ (3))	All Other Compensation (\$ (4))	Total
Bruce A. Campbell Chairman, President and Chief Executive Officer	2017	\$ 750,000	\$ 1,000,000	\$ 500,000	\$ 773,400	\$ 17,064	\$ 3,040,464
	2016	750,000	1,000,000	500,000	450,000	14,229	2,714,229
	2015	620,999	1,166,580	333,332	378,836	21,350	2,521,097
Michael J. Morris Senior Vice President and Chief Financial Officer	2017	409,000	220,000	110,000	316,321	107,088	1,162,409
	2016	197,308	330,000	-	171,000	55,234	753,542
	2015	-	-	-	-	-	-
Matthew J. Jewell President - Logistics Services	2017	464,000	220,000	110,000	178,072	7,082	979,154
	2016	450,000	220,000	110,000	118,125	6,723	904,848
	2015	413,240	219,993	109,997	210,322	14,377	967,929
Chris C. Ruble President - Expedited Services	2017	464,000	220,000	110,000	435,592	7,642	1,237,234
	2016	450,000	220,000	110,000	244,278	7,283	1,031,561
	2015	414,072	219,993	109,997	210,657	15,759	970,478
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	2017	374,000	220,000	110,000	289,252	7,642	1,000,894
	2016	360,000	220,000	110,000	162,000	8,910	860,910
	2015	334,200	219,993	109,997	178,439	17,722	860,351

- (1) Represents the aggregate grant date fair value of non-vested restricted share and performance share awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The awards for which the aggregate grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2017 Table on page 38 of this Proxy Statement. The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC.
- (2) Represents the aggregate grant date fair value of stock option awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The awards for which the aggregate grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2017 Table on page 38 of this Proxy Statement. The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC.
- (3) Represents cash incentives earned under the 2017 Annual Cash Incentive Plan.
- (4) See the All Other Compensation Table on page 36 of this Proxy Statement for additional information.

All Other Compensation Table

The following table shows the components of “all other compensation” earned in 2017, 2016 and 2015 by the Named Executive Officers.

Name & Principal Position	Year	Total All Other (1)	Car Allowance & Commuting Expenses (2)	401(k) Match (3)	Dividends (4)	Long-term Disability Insurance (5)
Bruce A. Campbell	2017	\$ 17,064	\$ -	\$ 4,050	\$ 12,168	\$ 846
	2016	14,229	-	3,975	9,408	846
Chairman, President and Chief Executive Officer	2015	21,350	9,000	4,402	7,102	846
Michael J. Morris	2017	107,088	-	1,717	4,439	846
Senior Vice President and Chief Financial Officer	2016	55,234	-	1,717	2,065	846
	2015	-	-	-	-	-
Matthew J. Jewell	2017	7,082	-	3,415	2,821	846
President - Logistics Services	2016	6,723	-	3,415	2,462	846
	2015	14,377	9,000	2,188	2,343	846
Chris C. Ruble	2017	7,642	-	3,975	2,821	846
President - Expedited Services	2016	7,283	-	3,975	2,462	846
	2015	15,759	9,000	3,570	2,343	846
Michael L. Hance	2017	7,642	-	3,975	2,821	846
Senior Vice President, Chief Legal Officer and Secretary	2016	8,910	1,827	3,975	2,262	846
	2015	17,722	10,690	4,435	1,751	846

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- (1) With respect to Mr. Morris only, this amount includes \$13,646 in mortgage assistance, \$53,850 in closing costs and \$32,590 in tax gross-up for relocation expense reimbursement.
 - (2) In 2016, the Company provided reimbursement of certain commuting expenses plus, in 2015, a \$9,000 annual car allowance to officers.
 - (3) The amount shown represents the Company’s contributions to the 401(k) Plan.
 - (4) Represents dividend payments during 2017 on all non-vested restricted shares held by the executive. These dividend payments are nonforfeitable.
 - (5) Represents premiums paid by the Company for long-term disability insurance for officers.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Bruce A. Campbell, our Chief Executive Officer (our “CEO”). The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2017, our last completed fiscal year:

- the median of the annual total compensation of all employees (other than our CEO) was \$37,352; and
- the annual total compensation of our CEO, as reported in the Summary Compensation Table included in this proxy statement, was \$3,040,464.

Based on this information, for 2017, the ratio of the annual total compensation of our CEO, to the total compensation of the median employee was 81 to 1.

To identify the median employee as well as to determine the annual total compensation of our median employee and our CEO, we took the following steps:

- We determined that as of December 31, 2017, our employee population consisted of 4,811 individuals (including full-time and part-time employees, other than our CEO) working at our parent company and consolidated subsidiaries in the United States and Canada. Of these individuals, 15 employees were located in Canada. As permitted by SEC rules, we excluded the Canadian employees, who represent 0.31% of our employee population. We then identified our “median employee” based on our United States employee population of 4,796.
- We identified the “median employee” by examining 2017 total cash compensation. For purposes of determining total cash compensation, we included base salary, incentive compensation, 401(k) match and overtime pay, as reflected in our payroll records. As permitted by SEC rules, we annualized the total cash compensation of all individuals who were employed as of December 31, 2017.
- We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation.

Once we identified our median employee, we combined all of the elements of such employee’s compensation for 2017 in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. The annual total compensation for our median employee for 2017 was \$37,352. We compared this amount to the annual total compensation of our CEO, as disclosed in the 2017 Summary Compensation Table included in this proxy statement.

Grants of Plan-Based Awards for Fiscal 2017

The following table shows the plan-based awards granted to the Named Executive Officers in 2017.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Shares to be Issued Under Equity Incentive Plan Awards (1)			All Other Stock Awards; Numbers of Stock (2), (4)	All Other Option Awards; Numbers of Securities Underlying Options (3), (4)	Exercise or Base Price of Option Awards (5)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold	Target	Maximum				
Bruce A. Campbell Chairman, President and Chief Executive Officer	2/6/2017	\$ -	\$ 750,000	\$ 1,500,000							
	2/6/2017				4,430	8,859	17,718				\$ 500,000
	2/6/2017							10,456			500,000
	2/6/2017								41,355	\$ 47.82	500,000
Michael J. Morris Senior Vice President and Chief Financial Officer	2/6/2017	-	306,750	613,500							
	2/6/2017				975	1,949	3,898				110,000
	2/6/2017							2,300			110,000
	2/6/2017								9,098	47.82	110,000
Matthew J. Jewell President - Logistics Services	2/6/2017	-	348,000	928,000							
	2/6/2017				975	1,949	3,898				110,000
	2/6/2017							2,300			110,000
	2/6/2017								9,098	47.82	110,000
Chris C. Ruble President - Expedited Services	2/6/2017	-	348,000	928,000							
	2/6/2017				975	1,949	3,898				110,000
	2/6/2017							2,300			110,000
	2/6/2017								9,098	47.82	110,000
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	2/6/2017	-	280,500	748,000							
	2/6/2017				975	1,949	3,898				110,000
	2/6/2017							2,300			110,000
	2/6/2017								9,098	47.82	110,000

- (1) Represents performance share awards granted under the Stock Incentive Plan and the Omnibus Plan. The performance shares cliff vest after the close of the three-year performance period that ends December 31, 2018 and the number of shares that vest will be based on the TSR of Forward Air Corporation stock compared to the TSR of a determined peer group. See pages 28 - 30 of this Proxy Statement for additional information.
- (2) Represents non-vested restricted shares granted under the Stock Incentive Plan and the Omnibus Plan, or in the case of Mr. Morris, only the Omnibus Plan.
- (3) Represents stock options granted under the Stock Incentive Plan and the Omnibus Plan.
- (4) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
- (5) In accordance with the provisions of the Stock Incentive Plan and the Omnibus Plan the exercise price of stock option grants is set using the closing market price on the day of grant. In the event that there is no public trading of the Company's common stock on the date of stock option grant, the exercise price will be the closing price on the most recent, prior date that the Company's common stock was traded.

Employment Agreement with Bruce A. Campbell

There is an Employment Agreement between Bruce A. Campbell and the Company, which was effective October 30, 2007. This Employment Agreement was amended in December of 2008 to the extent necessary to make the Agreement comply with Section 409A of the Internal Revenue Code and the Treasury regulations promulgated under that section, which relate to nonqualified deferred compensation. The Employment Agreement was subsequently amended in February of 2009 to extend the term of the Agreement to December 31, 2012. (The Employment Agreement and all amendments thereto are referred to collectively as the “Employment Agreement.”) The term of the Employment Agreement automatically extends for additional one-year terms thereafter unless the Board or Mr. Campbell provide prior notice of non-renewal at least six months before the expiration of the then-pending term.

Under the Employment Agreement, Mr. Campbell is entitled to receive an annual base salary of not less than \$500,000, subject to adjustment annually in the discretion of the Committee. Mr. Campbell is eligible under the Employment Agreement to receive an annual year-end cash bonus dependent upon the achievement of performance objectives by Mr. Campbell and the Company as established by the Committee. The Employment Agreement provides that this year-end bonus may be paid in one or more installments, on or after December 1 of the measurement year but no later than March 15 of the following year. The Employment Agreement further provides that Mr. Campbell will be entitled to the same fringe benefits as are generally available to the Company’s executive officers.

While the Company does not have employment agreements with any of its other Named Executive Officers, the Company did adopt an executive severance and change in control plan, which became effective January 1, 2013, that provides for certain payments to its Named Executive Officers in the event of a termination or a change in control. This plan is discussed in greater detail on pages 43 - 45 of this Proxy Statement under a Section entitled “2017 Potential Payments upon Termination, Change of Control, Death or Disability.”

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2017 with respect to shares of our Common Stock that may be issued under the following existing equity compensation plans: the 1999 Stock Option and Incentive Plan (the “1999 Plan”), the Stock Incentive Plan, the Omnibus Plan, the Non-Employee Director Stock Option Plan (the “NED Plan”), the 2000 Non-Employee Director Award (the “2000 NED Award”), the ESPP and the Amended Plan. Our shareholders have approved each of these plans.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise or Vesting of Outstanding/Unvested Shares, Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
		(1)	(2)
Equity Compensation Plans Approved by Shareholders	746,785	\$ 45	3,091,167
Equity Compensation Plans Not Approved by Shareholders	--	--	--
Total	746,785	\$ 45	3,091,167

(1) Excludes purchase rights accruing under the ESPP, which has an original shareholder-approved reserve of 500,000 shares.

Under the ESPP, each eligible employee may purchase up to 2,000 shares of Common Stock at semi-annual intervals each year at a purchase price per share equal to 90.0% of the lower of the fair market value of the Common Stock at the close of (i) the first trading day of an option period or (ii) the last trading day of an option period.

- (2) Includes shares available for future issuance under the ESPP. As of December 31, 2017, an aggregate of 371,850 shares of Common Stock were available for issuance under the ESPP.

Outstanding Equity Awards at Fiscal Year-End

The following table shows information about outstanding equity awards at December 31, 2017.

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Grant Date	Option Expiration Date	Number of Shares of Stock That Have Not Vested (1)	Market Value of Shares of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (3)	Equity Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested (2)
Bruce A. Campbell Chairman, President and Chief Executive Officer	25,940	-	\$36.55	2/7/12	2/7/19				
	24,486	-	37.14	2/7/13	2/7/20				
	22,271	-	42.48	2/6/14	2/6/21				
	13,831	6,915	50.71	2/9/15	2/9/22				
	14,211	28,421	43.67	2/8/16	2/8/23				
		41,355	47.82	2/6/17	2/6/24				
						20,280	\$1,164,883	63,010	\$3,619,294
Michael J. Morris Senior Vice President, Chief Financial Officer and Treasurer	-	9,098	47.82	2/6/17	2/6/24				
	-	-	-	-	-	7,398	424,941	3,898	223,901
Matthew J. Jewell President - Logistics Services	8,560	-	36.55	2/7/12	2/7/19				
	8,080	-	37.14	2/7/13	2/7/20				
	7,349	-	42.48	2/6/14	2/6/21				
	4,564	2,282	50.71	2/9/15	2/9/22				
	3,127	6,252	43.67	2/8/16	2/8/23				
		9,098	47.82	2/6/17	2/6/24				
						4,702	270,083	11,682	671,014
Chris C. Ruble President - Expedited Services	-	2,282	50.71	2/9/15	2/9/22				
	-	6,252	43.67	2/8/16	2/8/23				
	-	9,098	47.82	2/6/17	2/6/24				
						4,702	270,083	11,682	671,014
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	4,669	-	36.55	2/7/12	2/7/19				
	4,407	-	37.14	2/7/13	2/7/20				
	4,009	-	42.48	2/6/14	2/6/21				
	4,564	2,282	50.71	2/9/15	2/9/22				
	3,127	6,252	43.67	2/8/16	2/8/23				
		9,098	47.82	2/6/17	2/6/24				
						4,702	270,083	11,682	671,014

- (1) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
- (2) The market value is based on the closing price of the Company's common stock on Nasdaq on December 29, 2017 of \$57.44.
- (3) Represents performance share awards granted under the Stock Incentive Plan and the Omnibus Plan. The performance shares cliff vest after the close of their respective three-year performance periods. The number of shares that vest will be based on the TSR of Forward Air Corporation stock compared to the TSR of a determined peer group. See pages 28 - 30 of this Proxy Statement for additional information. Shares presented represent the maximum available award. As to date, the Company's TSR performance under existing awards would result in payouts ranging from target to maximum payout.

Option Exercises and Stock Vested

The following table shows information about options exercised or shares acquired on vesting during 2017.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired Upon Exercise (#)	Value Realized Upon Exercise (\$ (1))	Number of Shares Acquired Upon Vesting (#)	Value Realized Upon Vesting (\$ (1))
Bruce A. Campbell Chairman, President and Chief Executive Officer	37,037	\$ 864,279	8,623	\$ 411,923
Michael J. Morris Senior Vice President and Chief Financial Officer	-	-	2,550	133,187
Matthew J. Jewell President – Logistics Services	12,222	292,131	2,426	116,365
Chris C. Ruble President – Expedited Services	33,115	525,741	2,426	116,365
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	6,666	151,274	2,034	97,619

(1) The value realized upon exercise or vesting is based on the current market price on the date of exercise or vesting.

2017 Potential Payments Upon Termination, Change of Control, Death or Disability

Under the Employment Agreement with Mr. Campbell, the Company may terminate Mr. Campbell's employment at any time with or without "just cause," as defined in the Employment Agreement. If the Company should terminate Mr. Campbell without "just cause," he would be entitled to receive (i) his base salary for the longer of one year from the date of termination or the remainder of the then-pending term of the Employment Agreement but not to exceed two years; (ii) any unpaid bonus amounts previously earned; and (iii) continued insurance coverage for one year from the date of such termination. Mr. Campbell would not be entitled to any unearned salary, bonus or other benefits if the Company were to terminate him for "just cause."

Mr. Campbell also may terminate the Employment Agreement at any time; however, he would not be entitled to any unearned salary, bonus or other benefits (unless he is otherwise providing services to the Company in some capacity) if he does so absent circumstances resulting from a "change of control" or "material change in duties," each defined in the Employment Agreement. In the event of a "change of control" or "material change in duties," Mr. Campbell would have two alternatives. Mr. Campbell may resign and receive (i) his base salary for one year following the date of the "change of control" or "material change in duties," (ii) a cash bonus equal to the prior year's year-end cash bonus, plus any unpaid bonus amounts previously earned; (iii) any other payments due, including, among others, accrued and unpaid vacation pay; (iv) immediate acceleration of any stock options which are not then exercisable; and (v) continued insurance coverage for one year following the date of the "change of control" or "material change in duties." Alternatively, Mr. Campbell could continue to serve as President and Chief Executive Officer of the Company for the duration of the term of the Employment Agreement or until he or the Company terminates the Employment Agreement. The Employment Agreement also contains non-competition and non-solicitation provisions which apply during his employment and for a period of thirty-six (36) months following termination of his employment.

Under the Severance Plan, which is applicable to selected employees of the Company, including the Named Executive Officers (other than its Chief Executive Officer), each participant would receive severance benefits in the event his or her employment is terminated in certain circumstances. Under the Severance Plan, a participant would receive severance benefits if their employment is involuntarily terminated by the Company (other than for cause or upon death or disability, as those terms are defined in the Severance Plan) or in the event the participant voluntarily terminates their employment for good reason (as defined in the Severance Plan). The circumstances that permit a participant to terminate employment for good reason and receive severance benefits after a change in control differ from the more limited circumstances that permit a termination of employment for good reason prior to or absent a change in control. Generally, eligible participants would be entitled to the severance benefits included in the chart below upon an involuntary termination of their employment, in addition to any accrued obligations (such as unpaid salary through the termination date) and vested amounts to which they may be entitled under the Company's benefit plans:

General Severance Upon Involuntary Termination Absent a Change in Control	Severance Upon Involuntary Termination Within Two Years after a Change in Control
<ul style="list-style-type: none">• a lump sum severance payment in an amount equal to one year of the participant's annualized base salary• a pro-rata annual incentive for the fiscal year in which the termination occurs based on actual performance results	<ul style="list-style-type: none">• a lump sum severance payment in an amount equal to two times the participant's annualized base salary• a pro-rata target annual incentive for the fiscal year in which the termination occurs

- a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before the termination above the monthly premium payable by active employees under the Company’s healthcare plan for similar coverage, multiplied by 12 months
- access to up to \$20,000 of employer-paid outplacement services for 12 months following termination
- a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before the termination above the monthly premium payable by active employees under the Company’s healthcare plan for similar coverage, multiplied by 24 months
- access to up to \$20,000 of employer-paid outplacement services for 12 months following termination

A condition in the Severance Plan is the execution of a non-competition and non-solicitation agreement with respect to the Company’s employees and customers for a specified period following the termination of employment. In addition, any severance benefits payable under the Severance Plan are subject to the execution by the participant of a general release of claims against the Company and certain affiliated persons and entities. The Severance Plan does not provide for any tax gross-up payments to participants.

In addition to the benefits available under the Severance Plan, all of the Named Executive Officers are eligible to receive certain other benefits in the event of specific termination of employment, including as a consequence of a change in control. Under the Company’s Annual Incentive Plan, any unpaid incentive amounts previously earned under this plan would be payable to any Named Executive Officer terminated without cause. Under the Stock Incentive Plan, any non-vested restricted shares, options or other forms of equity-based compensation granted prior to 2017 will vest upon a “Change in Control.” Beginning with long-term incentive grants made in 2017 made pursuant to either the Stock Incentive Plan or Omnibus Plan, vesting of such awards upon a change in control is double-trigger (i.e., not accelerated unless the awards are not assumed or converted by the acquirer or in the event there is an involuntary termination of employment in connection with or within 24 months after the change in control).

The following table shows the estimated benefits payable to each Named Executive Officer in the event of termination of employment or change of control of the Company. The amounts shown assume that a termination of employment or a change of control occurs on December 31, 2017. The amounts do not include payments or benefits provided under insurance or other plans that are generally available to all full-time employees.

Name	Termination without Cause (\$ (1))	Death and Disability (\$ (2))	Change of Control (\$ (3) (4))
Bruce A. Campbell			
Employment Agreement	\$ 1,540,925	\$ 1,540,925	\$ 1,973,400
Stock Incentive Plan & Omnibus Plan	-	9,189,308	9,189,308
Total	\$ 1,540,925	\$ 10,730,233	\$ 11,162,708

Michael J. Morris (5)			
Omnibus Plan	-	1,171,431	1,171,431
Matthew J. Jewell (5)			
Stock Incentive Plan & Omnibus Plan	-	1,953,879	1,953,879
Chris C. Ruble (5)			
Stock Incentive Plan & Omnibus Plan	-	1,953,879	1,953,879
Michael L. Hance (5)			
Stock Incentive Plan & Omnibus Plan	-	1,953,879	1,953,879

-
- (1) The Company entered into an Employment Agreement with Bruce Campbell effective October 30, 2007 which has been subsequently amended to extend the term of the Employment Agreement to December 31, 2012 with one-year annual extensions thereafter absent a notice of non-renewal by the Company or Mr. Campbell. Under this Agreement, Mr. Campbell is entitled upon termination without “just cause” (as defined in the Agreement) to payment of his base salary for the longer of one (1) year, or the remainder of the Agreement term, payment of any bonus previously earned but unpaid, and one (1) year of health insurance continuation. Mr. Campbell is not entitled to any of these payments/benefits if he is terminated with “just cause” or he voluntarily resigns without a “Change in Control” or “Material Change in Duties,” as such terms are defined in the Agreement. The Company does not have employment agreements with any of its other Named Executive Officers.
 - (2) Under his Employment Agreement, upon termination due to his disability or death, Mr. Campbell (or his spouse or estate in the event of death) is entitled to the same payments/benefits that Mr. Campbell is entitled to receive in the event of a termination without “just cause;” however, in the event of termination due to death, all such payments owed shall be made in a lump sum payment within 60 days of his death.
 - (3) Under his Employment Agreement, upon a Change in Control (as defined in the Agreement), Mr. Campbell is entitled to payment of his base salary for one (1) year payable over the course of the twelve (12) months following the Change in Control, payment of any bonus previously earned but unpaid, payment of an amount equal to the prior-year’s year-end bonus and one (1) year continuation of health insurance. The amounts in the Stock Incentive Plan and Omnibus Plan rows for death, disability and Change in Control reflect unvested option awards detailed in the “Outstanding Equity Awards at Fiscal Year-End” table on page 41, multiplied by the excess, if any, of the market price of our common stock on December 29, 2017 (\$57.44) over the exercise price listed in the same table.
 - (4) Beginning with long-term incentive grants made in 2017 made pursuant to either the Stock Incentive Plan or Omnibus Plan, vesting of such awards upon a change in control is double-trigger (i.e., not accelerated unless the awards are not assumed or converted by the acquirer or in the event there is an involuntary termination of employment in connection with or within 24 months after the change in control).
 - (5) The Severance Plan provides for the payment of severance benefits to participants in the event their employment is involuntarily terminated by the Company (other than for cause or upon death or disability, as defined by the Severance Plan) or by the participant for good reason (as defined in the Severance Plan) (collectively, “Involuntary Terminations”). Assuming a December 31, 2017, involuntary termination, under the Severance Plan the above officers, other than the Chief Executive Officer, would be entitled to the following severance benefits upon an Involuntary Termination, in addition to any accrued obligation and vested amounts to which they may be entitled under the Company’s benefit plans:

<u>Name</u>	<u>Unpaid Annual Incentive (i)</u>	<u>Salary & Incentive (ii)</u>	<u>Healthcare (iii)</u>	<u>Placement Services (iv)</u>	<u>Total Severance</u>
Michael J. Morris					
Termination without Cause	\$ 316,321	\$ 409,000	\$ 19,528	\$ 20,000	\$ 764,849
Change of Control	316,321	1,431,500	39,056	20,000	1,806,877
Matthew J. Jewell					
Termination without Cause	178,072	464,000	19,528	20,000	681,600
Change of Control	178,072	1,624,000	39,056	20,000	1,861,128
Chris C. Ruble					
Termination without Cause	435,592	464,000	18,729	20,000	938,321
Change of Control	435,592	1,624,000	37,458	20,000	2,117,050
Michael L. Hance					
Termination without Cause	289,252	374,000	19,377	20,000	702,629
Change of Control	289,252	1,309,000	38,754	20,000	1,657,006

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- i. Represents unpaid cash incentives earned under the 2017 annual Cash Incentive Plan as of December 31, 2017.
 - ii. Participants are entitled to a lump sum severance payment in an amount equal to the participant's annualized base salary in effect on his or her termination date if the termination date is prior to or absent a Change in Control, or equal to two times the sum of the participant's base salary and target annual incentive (each determined as of the termination date) if the termination date is on or within two years following a Change in Control.
 - iii. Participants are entitled to a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before termination above the monthly premium payable by active employees under the Company's healthcare plan for similar coverage, multiplied by 12 months if the termination date is prior to or absent a Change in Control, or by 24 months if the termination date is on or within two years following a Change in Control.
 - iv. Participants are entitled to access to up to \$20,000 of employer-paid outplacement services for 12 months following termination.

Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the 2017 Annual Report with management and the Company's independent registered public accounting firm, Ernst & Young LLP, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee's function is more fully described in its charter, which is available through the Investors—Governance link on the Company's website, www.forwardaircorp.com.

The Audit Committee reviews the charter on an annual basis. The Board annually reviews the definition of independence under Nasdaq's listing standards for audit committee members and has determined that each member of the Committee meets that standard.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, and applicable laws and regulations. Ernst & Young LLP is responsible for performing an independent audit and reporting on the consolidated financial statements of the Company and its subsidiaries and the effectiveness of the Company's internal controls over financial reporting.

The Audit Committee has been updated quarterly on management's process to assess the adequacy of the Company's system of internal controls over financial reporting, the framework used to make the assessment, and management's conclusions on the effectiveness of the Company's internal controls over financial reporting. The Audit Committee has also discussed with representatives of Ernst & Young LLP the Company's internal control assessment process and the firm's audit of the Company's system of internal controls over financial reporting.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended December 31, 2017 with the Company's management and has discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standard No. 1301, as amended, and as adopted by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee also discussed with Ernst & Young LLP its independence from management and the Company, and received Ernst & Young LLP's written disclosures and letter pursuant to applicable requirements of the PCAOB regarding the independent accountant's communication with the Audit Committee concerning independence. The Audit Committee further considered the compatibility of the non-audit services with maintaining Ernst & Young LLP's independence. Ernst & Young LLP has served as the Company's independent registered public accountant since 1991, and Ernst & Young LLP's current lead audit partner was selected in 2017.

In performing all of these functions, the Audit Committee acts in an oversight capacity. The Audit Committee reviews the Company's quarterly reports on Form 10-Q and annual report on Form 10-K prior to filing with the SEC. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for establishing and maintaining adequate internal controls over financial reporting and for preparing the financial statements, and other reports, and of the independent registered public accountants, who are engaged to audit and report on the consolidated financial statements of the Company and its subsidiaries and the effectiveness of the Company's internal controls over financial reporting.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the SEC.

*G. Michael Lynch, Chair
 Ana B. Amicarella
 Valerie A. Bonebrake
 R. Craig Carlock
 The Audit Committee of the Board of Directors*

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Exchange Act that might incorporate future filings, including this proxy statement, in whole or in part, the Audit Committee Report and the Compensation Committee Report above shall not be incorporated by reference into this proxy statement.

Independent Registered Public Accounting Firm

The Audit Committee has appointed Ernst & Young LLP to serve as the Company’s independent registered public accounting firm for the 2018 fiscal year, subject to ratification of the appointment by the shareholders of the Company. The fees billed by Ernst & Young LLP for services rendered to the Company and its subsidiaries in 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Audit Fees (1)	\$ 1,706,500	\$ 1,552,331
Audit-Related Fees (2)	-	-
Tax Fees (2)	695,000	805,136
All Other Fees (2)	-	-

-
- (1) Includes fees and expenses related to the audit and interim reviews of the Company’s financial statements and the audit of the effectiveness of the Company’s internal controls over financial reporting for the fiscal year notwithstanding when the fees and expenses were billed or when the services were rendered.
 - (2) Includes fees and expenses for services rendered from January through December of the fiscal year notwithstanding when the fees and expenses were billed.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services and other services performed by the independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. The Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. During 2017 and as of the date of this Proxy Statement, the Audit Committee pre-approved all of these services.

PROPOSAL 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2018 FISCAL YEAR

The Audit Committee has appointed Ernst & Young LLP to serve as the Company’s independent registered public accounting firm for the 2018 fiscal year. As in the past, the Board has determined that it would be desirable to request ratification of the appointment by the shareholders of the Company. If the shareholders do not ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider the appointment of the independent registered public accounting firm for the 2018 fiscal year.

A representative of Ernst & Young LLP is not expected to be present at the Annual Meeting, and thus, is not expected to make a statement or be available to respond to questions.

Shareholder Vote Requirement

This proposal will be approved by a majority of the votes cast. Unless otherwise directed therein, the proxies solicited hereby will be voted for approval of Ernst & Young LLP.

Recommendation of the Board

The Board recommends that shareholders vote FOR ratification of appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the 2018 fiscal year.

PROPOSAL 3 – ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) which enacted Section 14A of the Exchange Act, requires us to provide our shareholders with the opportunity to approve, on a non-binding, advisory basis, the compensation of our named executive officers.

The Company’s goal with respect to executive compensation is to provide a comprehensive package that is sufficient to attract, motivate and retain executives of outstanding ability, performance and potential. The Compensation Committee seeks to establish and maintain an appropriate relationship between executive compensation and the creation of shareholder value. The Compensation Committee believes that the most effective compensation program is one that provides competitive base pay, rewards the achievement of established annual and long-term goals and objectives, and provides incentives for retention. The Compensation Committee seeks a compensation program that is internally consistent and believes that pay differences among jobs should be commensurate with differences in the levels of responsibility between the Chief Executive Officer and the other Named Executive Officers.

We urge you to read the Compensation Discussion and Analysis section of this Proxy Statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2017 compensation of our Named Executive Officers.

We are asking you to vote on the adoption of the following resolution:

RESOLVED, that the compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion above is hereby **APPROVED**.

As an advisory vote, this Proposal is non-binding. Although the vote is non-binding, the Board and the Compensation Committee value the opinions of our shareholders, and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

Shareholder Vote Requirement

This proposal will be approved by a majority of the votes cast. Unless contrary instructions are received, shares of common stock represented by duly executed proxies will be voted for the adoption of the resolution approving the compensation of Named Executive Officers.

Recommendation of the Board

The Board recommends a vote FOR approval, on a non-binding, advisory basis, of the compensation of the Named Executive Officers.

OTHER MATTERS

Additional Meeting Matters

The Board knows of no additional matters that may come before the meeting; however, if any additional matters should properly come before the meeting or any adjournment or postponement thereof, it is the intention of the persons named in the proxy to vote the proxy in accordance with their best judgment.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the disclosure requirements of Item 405 of Regulation S-K require the directors and executive officers of the Company, and any persons holding more than 10% of any class of equity securities of the Company, to report their ownership of such equity securities and any subsequent changes in that ownership to the SEC, Nasdaq and the Company. Based solely on a review of the reports that have been filed by or on behalf of such persons in this regard and written representations from our directors and named executive officers, we believe that all ownership reports were timely filed during 2017, except that Mr. Michael J. Morris reported late one transaction on Form 4 filed June 30, 2017; Mr. Craig A. Drum reported late four transactions on one Form 4 filed May 15, 2017; Mr. Ronald W. Allen reported late one transaction on Form 4 filed May 15, 2017; Mr. C. Robert Campbell reported late two transactions on two Form 4s filed May 15, 2017 and December 12, 2017; Mr. R. Craig Carlock reported late one transaction on Form 4 filed May 15, 2017; Dr. C. John Langley, Jr. reported late one transaction on Form 4 filed May 15, 2017; Mr. G. Michael Lynch reported late one transaction on Form 4 filed May 15, 2017; and Mr. Douglas M. Madden reported late one transaction on Form 4 filed May 15, 2017.

Shareholder Proposals for the 2019 Annual Meeting of Shareholders

Any proposal intended to be presented for action at the 2019 Annual Meeting of Shareholders by any shareholder of the Company must be received by the Secretary of the Company at its principal executive offices not later than December 6, 2018 in order for such proposal to be considered for inclusion in the Company's proxy statement and form of proxy relating to its 2019 Annual Meeting of Shareholders. Nothing in this paragraph shall be deemed to require the Company to include any shareholder proposal which does not meet all the requirements for such inclusion established by Rule 14a-8 of the Exchange Act.

For other shareholder proposals to be timely (but not considered for inclusion in the proxy statement for the 2019 Annual Meeting of Shareholders), a shareholder's notice must be received by the Secretary of the

Company between January 16, 2019 and February 15, 2019 and the proposal and the shareholder must comply with Rule 14a-4 under the Exchange Act. In the event that a shareholder proposal intended to be presented for action at the next Annual Meeting is not received prior to February 16, 2019, proxies solicited by the Board in connection with the Annual Meeting will be permitted to use their discretionary voting authority with respect to the proposal, whether or not the proposal is discussed in the proxy statement for the Annual Meeting.

Any shareholder proposal must also meet all other requirements contained in our Bylaws.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of “householding” proxy statements and annual reports. This means that only one copy of this Notice of 2018 Annual Meeting of Shareholders, Proxy Statement and 2017 Annual Report may have been sent to multiple shareholders in your household, unless the Company has received contrary instructions from one or more shareholders. We will promptly deliver a separate copy of each document to you if you write the Company’s Secretary at Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745, or call (423) 636-7000. If you want to receive separate copies of the Notice of Annual Meeting of Shareholders, Proxy Statement and Annual Report in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or, if the shares are not held in “street name,” you may contact the Company at the above address and phone number.

Shareholder Communications

Shareholders who wish to communicate with the Board, a Board committee or any such other individual director or directors may do so by sending written communications addressed to the Board, a Board committee or such individual director or directors, c/o Secretary, Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745. The Company’s Chief Legal Officer will open all shareholder communication for the sole purpose of determining whether the contents represent correspondence to any member of the Board or any group or committee of directors. Any shareholder communication that is not in the nature of advertising, promotions of product or service, or patently offensive material will be forwarded promptly to the member(s) of the Board to whom the shareholder communication is addressed. In the case of any shareholder communication to the Board or any group or committee of directors, the Chief Legal Officer’s office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed.

Miscellaneous

It is important that proxies be returned promptly to avoid unnecessary expense. Therefore, shareholders who do not expect to attend the Annual Meeting in person are urged, regardless of the number of shares of common stock owned, to please vote and submit your proxy over the Internet, by telephone or by completing, signing, dating and returning the enclosed proxy in the envelope provided as promptly as possible. If you attend the meeting and desire to vote in person, you may do so even though you have previously sent a proxy.

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2017 is included within the Annual Report provided with this Proxy Statement. The Annual Report does not constitute a part of the proxy solicitation material. Copies of exhibits filed with the Form 10-K are available, free of charge, upon written request. Requests should be made in writing to Michael L. Hance, Secretary of the Company, at Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745. The Company's filings with the SEC are also available, without charge, through the Investors—SEC Filings link on the Company's website, www.forwardaircorp.com, as soon as reasonably practical after filing.

By Order of the Board of Directors,



Michael L. Hance
*Senior Vice President,
Chief Legal Officer and Secretary*

*Greeneville, Tennessee
April 5, 2018*

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

FORM 10-K

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

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

OR

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

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

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

Tennessee
(State or other jurisdiction of
incorporation or organization)

62-1120025
(I.R.S. Employer
Identification No.)

1915 Snapps Ferry Road, Building N
Greenville, Tennessee
(Address of principal executive offices)

37745
(Zip Code)

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

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

Title of Each Class
Common Stock, \$0.01 par value

Name of Each Exchange on Which Registered
The Nasdaq Stock Market LLC

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting Company Emerging Growth Company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$1,581,907,549 as of June 30, 2017.

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

Documents Incorporated By Reference

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

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Introductory Note

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

Part I

Item 1. Business

Overview

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

Services Provided

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

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

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

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

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

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

Strategy

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

- *Expand Service Offerings.* We believe we can increase freight volumes and revenues by offering new and enhanced services that address more of our customers' premium transportation needs. In the past few years, we have added or enhanced LTL pickup and delivery, customer label integration, expedited truckload, temperature-controlled shipments, warehousing, drayage, customs brokerage and shipment consolidation and handling services. These services benefit our existing customers and increase our ability to attract new customers.
- *Enhance Information Systems.* We are committed to the development and enhancement of our information systems in order to provide us competitive service advantages and increased productivity. We believe our information systems have and will assist us in capitalizing on new business opportunities with existing and new customers.
- *Pursue Strategic Acquisitions.* We continue to evaluate and pursue acquisitions that can increase our penetration of a geographic area; add new customers, business verticals and services; and increase freight volume. For example, we acquired Central States Trucking Co. ("CST") in 2014. CST provides industry-leading container and intermodal drayage services within the Midwest, Southeast and Southwest regions of the United States. CST also provides linehaul service within the LTL space as well as dedicated contract and CFS warehouse services. Since our acquisition of CST in 2014, CST has completed six acquisitions. In 2017, CST acquired certain assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (together referred to as "Atlantic") and certain assets of Kansas City Logistics, LLC ("KCL").

Operations

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

Expedited LTL

Overview

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

Operations

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

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

* Denotes an independent agent location.

** Denotes a location with combined Expedited LTL and Pool Distribution operations.

*** Denotes a location in which Expedited LTL is an agent for Pool Distribution.

**** Denotes a location with combined Expedited LTL and Intermodal operations.

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

Shipments

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

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

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

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

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

Purchased Transportation

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

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

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

Other Services

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

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

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

Customers

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

Truckload Premium Services

Overview

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

Operations

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

Operating Statistics

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

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

Transportation

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

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

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

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

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

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

Customers

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

Intermodal

Overview

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

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

Operations

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

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

Transportation

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

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

Customers

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

Pool Distribution

Overview

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

Operations

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

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

* Denotes an independent agent station.

** Denotes a location in which Expedited LTL is an agent for Pool Distribution.

*** Denotes a location with combined Expedited LTL and Pool Distribution operations.

Transportation

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

Customers

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

Competition

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

Our Expedited LTL, TLS and Pool Distribution segments primarily compete with other national and regional truckload carriers. Expedited LTL also competes with less-than-truckload carriers, and to a lesser extent, integrated air cargo carriers and

passenger and cargo airlines, while our TLS segment also competes with property brokers and 3PLs. Our Intermodal segment primarily competes with national and regional drayage providers.

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

Marketing

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

Seasonality

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

Employees and Equipment

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

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

Risk Management and Litigation

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

each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.5 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance.

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

Regulation

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

Service Marks

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

Available Information

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

Item 1A. Risk Factors

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

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

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

- A reduction in overall freight volumes reduces our revenues and opportunities for growth. In addition, a decline in the volume of freight shipped due to a downturn in customers' business cycles or other factors (including our ability to assess dimensional-based weight increases) generally results in decreases in freight pricing and decreases in average revenue per pound of freight, as carriers compete for loads to maintain truck productivity.
- Our base transportation rates are determined based on numerous factors such as length of haul, weight per shipment and freight class. During economic downturns, we may also have to lower our base transportation rates based on competitive pricing pressures and market factors.
- Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.
- A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers.
- We may not be able to appropriately adjust our expenses to changing market demands. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing levels to our business needs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

prices and the potential volatility in net fuel surcharge revenue may adversely impact our results of operations and overall profitability.

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

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

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

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

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

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

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

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

One element of our growth strategy is to expand our service offerings to customers. As a result, we have added additional services in the past few years. We may not succeed in making our customers sufficiently aware of existing and future services or in creating customer acceptance of these services at the prices we would want to charge. In addition, we may be required to devote substantial resources to educate our customers, with no assurance that a sufficient number of customers will use our services for

commercial success to be achieved. We may not identify trends correctly, or may not be able to bring new services to market as quickly, effectively or price-competitively as our competitors. In addition, new services may alienate existing customers or cause us to lose business to our competitors. If any of the foregoing occurs, it could have a material adverse effect on our results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our business is subject to seasonal trends.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- authorize us to issue preferred stock, the terms of which may be determined at the sole discretion of our Board of Directors and may adversely affect the voting or economic rights of our shareholders; and
- establish advance notice requirements for nominations for election to the Board of Directors and for proposing matters that can be acted on by shareholders at a meeting.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties

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

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

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

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

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

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

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

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

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

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

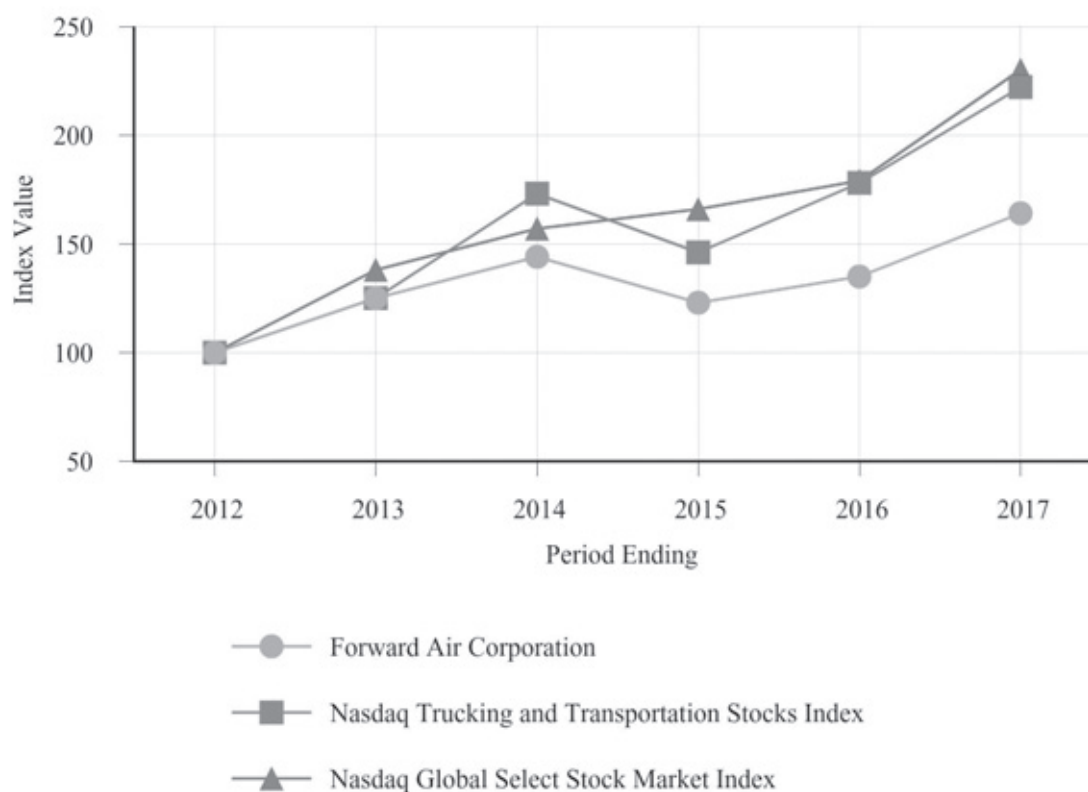
None of our securities were sold during fiscal year 2017 without registration under the Securities Act.

Stock Performance Graph

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

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

Stock Performance



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

Issuer Purchases of Equity Securities

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

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

Item 6. Selected Financial Data

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

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

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

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

Overview and Executive Summary

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

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

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

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

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

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

Trends and Developments

Acquisition of Towne

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

Acquisitions of CST and Related Companies

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

Goodwill

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

Results from Operations

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

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

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

Segment Operations

Expedited LTL's revenue increased \$49.0 million, or 8.6%, while operating income increased \$4.6 million, or 5.5% for the year ended December 31, 2017, compared to the same period in 2016. The increase in revenue was due to increased tonnage, increased local pickup and delivery ("Complete") attachment and higher fuel surcharges. The deterioration in income from

operations as a percentage of revenue was due to an increased utilization of third party transportation providers partly offset by increased Complete, fuel surcharge and linehaul revenues. The fuel surcharge increase was also due to increased fuel prices.

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

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

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

Fuel Surcharge

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

Interest Expense

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

Income Taxes

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

Net Income

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

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

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

Expedited LTL Segment Information

(In millions)

(Unaudited)

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

Expedited LTL Operating Statistics

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

¹ - In thousands

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

Revenues

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

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

Purchased Transportation

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

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of Expedited LTL increased by \$6.9 million, or 5.0%, to \$145.9 million for the year ended December 31, 2017 from \$139.0 million in the same period of 2016. Salaries, wages and employee benefits were 23.5% of Expedited LTL's operating revenue for the year ended December 31, 2017 compared to 24.4% for the same period of 2016. The decrease in salaries, wages and employee benefits as a percentage of revenue was primarily attributable to a 0.7% decrease in direct Expedited LTL terminal and management salaries as a percentage of revenue and a 0.2% decrease in health insurance costs as a percentage of revenue. The decrease in direct pay as a percentage of revenue is the impact of additional revenue on fixed salaries and improved operating efficiencies.

Operating Leases

Operating leases increased \$2.3 million, or 6.7%, to \$36.7 million for the year ended December 31, 2017 from \$34.4 million for the year ended December 31, 2016. Operating leases were 5.9% of Expedited LTL's operating revenue for the year ended December 31, 2017 compared with 6.0% for the year ended December 31, 2016. The increase in cost is due to \$1.2 million of additional facility lease expenses and a \$1.1 million increase in truck, trailer and equipment rentals and leases. Facility leases increased due to the expansion of certain facilities. Vehicle leases increased due to the replacement of older owned power equipment with leased power equipment.

Depreciation and Amortization

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

Insurance and Claims

Expedited LTL insurance and claims expense increased \$2.2 million, or 16.7%, to \$15.4 million for the year ended December 31, 2017 from \$13.2 million for the year ended December 31, 2016. Insurance and claims as a percentage of Expedited LTL's operating revenue was 2.5% for the year ended December 31, 2017 compared to 2.3% for the year ended December 31, 2016. The increase in dollars was partly attributable to a \$0.7 million increase in insurance premiums associated with our insurance

plan renewals and a \$2.0 million increase in vehicle accident claim reserves. These increases were partly offset by decreases in vehicle damage and cargo claims.

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

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

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

Truckload Premium Services Segment Information

(In millions)

(Unaudited)

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

Truckload Premium Services Operating Statistics

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

Revenues

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

Purchased Transportation

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

Salaries, Wages, and Benefits

Salaries, wages and employee benefits of TLS increased by \$1.1 million, or 5.7%, to \$20.4 million in the year ended December 31, 2017 from \$19.3 million in the same period of 2016. Salaries, wages and employee benefits were 11.4% of TLS's operating revenue in the year ended December 31, 2017 compared to 11.7% for the same period of 2016. The decrease in salaries, wages and employee benefits as a percentage of revenue was mostly attributable to the increase in revenue outpacing the increase in pay to Company drivers and office staff.

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Impairment of goodwill, intangibles and other assets

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

Income from Operations

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

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

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

Pool Distribution Segment Information

(In millions)

(Unaudited)

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

Revenues

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

Purchased Transportation

Pool purchased transportation increased \$3.2 million, or 8.0%, to \$43.2 million for the year ended December 31, 2017 from \$40.0 million for the year ended December 31, 2016. Pool purchased transportation as a percentage of revenue was 26.3% for the year ended December 31, 2017 compared to 26.9% for the same period in 2016. The improvement in Pool purchased transportation as a percentage of revenue was attributable to an increased utilization of owner-operators over more costly third party carriers and revenue increases associated with rate increases.

Salaries, Wages, and Benefits

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

Operating Leases

Operating leases increased \$0.6 million, or 4.7%, to \$13.3 million for the year ended December 31, 2017 from \$12.7 million for the year ended December 31, 2016. Operating leases were 8.1% of Pool operating revenue for the year ended December 31, 2017 compared with 8.6% for the year ended December 31, 2016. Operating leases increased in total dollars due to additional truck and trailer leases and rentals used to provide capacity for additional business wins throughout the network,

partially offset by reduced facility rent driven by higher rent in 2016 attributable to the transition and relocation of certain terminals. The decrease as a percentage of revenue is attributable to increased revenue.

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

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

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

Intermodal Segment Information

(In millions)

(Unaudited)

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

Revenues

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

Operating leases increased \$1.5 million, or 12.5% to \$13.5 million for the year ended December 31, 2017 from \$12.0 million for the same period in 2016. Operating leases were 9.1% of Intermodal operating revenue for the year ended December 31, 2017 compared with 11.6% in the same period of 2016. Operating leases decreased as a percentage of revenue due to slightly

increasing trailer rental charges while other revenue that does not require trailer rentals increased at a more rapid rate. The decrease as a percentage of revenue is also attributable to utilization of owned equipment acquired as part of Atlantic and the increase in revenue out-pacing the increase in facility rents.

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

Other Operations

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

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

Results of Operations

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

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

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

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

Expedited LTL Segment Information

(In millions)

(Unaudited)

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

Expedited LTL Operating Statistics

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

¹ - In thousands

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

Revenues

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

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

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

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

Truckload Premium Services Segment Information

(In millions)

(Unaudited)

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

Truckload Premium Services Operating Statistics

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

Revenues

TLS revenue increased \$11.0 million, or 7.2%, to \$164.3 million for the year ended December 31, 2016 from \$153.3 million in the same period of 2015. TLS' revenue increase was the result of a 20.3% mileage increase due to new business wins, partly offset by a 9.1% decrease in revenue per mile. Revenue per mile declined due to the decrease in pharmaceutical revenue

which historically has a higher revenue per mile than traditional truckload business. TLS' revenue per mile also decreased as a result of a shift in business mix away from accounts that require use of more expensive third party transportation providers.

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

TLS other operating expenses increased \$1.4 million, or 20.0%, to \$8.4 million for the year ended December 31, 2016 compared to \$7.0 million for the year ended December 31, 2015. TLS other operating expenses were 5.1% of operating revenue for the year ended December 31, 2016 compared to 4.6% for the year ended December 31, 2015. The increase was attributable to

owner-operator and company driver recruiting costs increasing \$0.2 million on efforts to add additional drivers throughout the network. An additional \$0.5 million was attributable to a \$0.2 million loss on destroyed trailers in 2016 compared to a \$0.3 million gain on the sale of trailers during 2015. The remaining increase was due to \$0.3 million in legal expenses and \$0.4 million in additional costs to handle the expanding TLS business mentioned above, such as tolls and vehicle maintenance.

Impairment of goodwill, intangibles and other assets

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

Income from Operations

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

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

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

Pool Distribution Segment Information

(In millions)

(Unaudited)

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

Revenues

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

Operating leases increased \$2.5 million, or 24.5%, to \$12.7 million for the year ended December 31, 2016 from \$10.2 million for the year ended December 31, 2015. Operating leases were 8.5% of Pool operating revenue for the year ended December 31, 2016 compared with 7.8% for the year ended December 31, 2015. Operating leases increased due to \$2.0 million of additional

facility rent expense as certain terminals moved to larger facilities to handle additional business wins. The remaining \$0.5 million increase is attributable to higher truck rentals for additional business wins throughout the network.

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

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

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

Intermodal Segment Information
(In millions)
(Unaudited)

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

Revenues

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

Purchased Transportation

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

Salaries, Wages, and Benefits

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

Operating Leases

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

Depreciation and Amortization

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

Insurance and Claims

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

Fuel Expense

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

Other Operating Expenses

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

Income from Operations

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

Other Operations

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

Discussion of Critical Accounting Policies

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

Allowance for Doubtful Accounts

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

Allowance for Revenue Adjustments

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

Self-Insurance Loss Reserves

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

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

Revenue Recognition

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

Income Taxes

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

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

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

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

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

Valuation of Goodwill

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

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

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

In 2016, due to the financial performance of the TQI reporting unit falling notably short of previous projections the Company reduced TQI's projected cash flows and as a result the estimate of TQI's fair value no longer exceeded the respective carrying value. Consequently, the Company recorded a goodwill impairment charge of \$25.7 million for the TQI reporting unit during the year ended December 31, 2016.

Additionally, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. In conjunction with the June 30, 2016 TQI goodwill impairment assessment, the Company determined there were indicators that TQI's customer relationship and non-compete intangible assets were impaired as the undiscounted cash flows associated with the applicable assets no longer exceeded the related assets' net book values. The Company then estimated the current fair value of the customer relationship and non-compete assets using an income approach (level 3). As a result of these estimates the Company recorded an impairment charge of \$16.5 million related to TQI customer relationships during the three months ended June 30, 2016.

For our 2017 TQI analysis, the significant assumptions used in the income approach were 10 years of projected net cash flows, a discount rate of 15.5% and a long-term growth rate of 4.0%. As shown with the 2016 TQI goodwill impairment, the estimates used to calculate the fair value of each reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of the reporting unit's fair value and goodwill impairment for the reporting unit.

Share-Based Compensation

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

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

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

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

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

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

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

Operating Leases

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

Recent Accounting Pronouncements

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

In March 2016, the FASB issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital ("APIC") pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for, and we elected, to account for forfeitures as they occur rather than on an estimated basis. We adopted this guidance in January 2017 and the elimination of APIC pools resulted in approximately \$545 of income tax benefit during the full year December 31, 2017. This guidance has been applied prospectively and no prior periods have been adjusted.

In February 2016, the FASB, issued ASU 2016-02, Leases, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. We are evaluating the impact of the future adoption of this standard on our consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017. The guidance permits the use of either a full retrospective or modified retrospective adoption approach with a cumulative effect adjustment recorded in either scenario as necessary upon transition.

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

In addition, based on a review of our customer shipping arrangements, we currently believe the implementation of this standard will change our revenue recognition policy from recognizing revenue upon shipment completion to recognizing revenue over time based on the progress toward completion of shipments in transit at each period end. While the timing of revenue

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

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

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

Credit Facility

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

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

Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility is based on the highest of (a) the federal funds rate (not less than 0%) plus 0.5%, (b) the administrative agent's prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.3% to 0.8% with respect to the Facility depending on the Company's ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization, as set forth in the credit agreement. Payments of interest for each loan that is based on the LIBOR Rate are due in arrears on the last day of the interest period applicable to such loan (with interest periods of one, two or three months being available, at the Company's option). Payments of interest on loans that are not based on the LIBOR Rate are due on the last day of each quarter ended March 31, June 30, September 30 and December 31 of each year. All unpaid amounts of principal and interest are due at maturity. As of December 31, 2017, we had \$40.5 million in borrowings outstanding under the revolving credit facility, \$7.9 million utilized for outstanding letters of credit and \$101.6 million of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowing under the revolving credit facility was 2.9% at December 31, 2017.

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

Our new facility replaced our previously existing unsecured credit facility, which had a maximum aggregate principal amount of \$275.0 million, including a revolving credit facility of \$150.0 million and a term loan facility of \$125.0 million. The previous revolving credit facility was scheduled to expire in February 2020.

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

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

shares of Common Stock for \$40.0 million, or \$43.92 per share during the year ended December 31, 2016. As of December 31, 2017, 1,818,665 shares remain that may be repurchased under the 2016 plan.

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

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

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

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

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

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

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

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

Changes in Internal Control over Financial Reporting

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

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

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

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

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP

Atlanta, Georgia
February 23, 2018

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers of the Registrant

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

The following are our executive officers:

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

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

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

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

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

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

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

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principle Accounting Fees and Services

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

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

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

(a)(3) List of Exhibits.

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

(b) Exhibits.

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

(c) Financial Statement Schedules.

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

SIGNATURES

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

Forward Air Corporation

Date: February 23, 2018

By: /s/ Michael J. Morris

Michael J. Morris

Chief Financial Officer, Senior Vice President
and Treasurer (Principal Financial Officer)

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

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

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Annual Report on Form 10-K

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

List of Financial Statements and Financial Statement Schedule

Financial Statements and Supplementary Data

Certain Exhibits

Financial Statement Schedule

Year Ended December 31, 2017

Forward Air Corporation

Greeneville, Tennessee

Forward Air Corporation

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

Index to Financial Statements and Financial Statement Schedule

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

	<u>Page No.</u>
<u>Report of Ernst & Young LLP, Independent Registered Public Accounting Firm</u>	<u>F-3</u>
<u>Consolidated Balance Sheets — December 31, 2017 and 2016</u>	<u>F-4</u>
<u>Consolidated Statements of Comprehensive Income — Years Ended December 31, 2017, 2016 and 2015</u>	<u>F-6</u>
<u>Consolidated Statements of Shareholders' Equity — Years Ended December 31, 2017, 2016 and 2015</u>	<u>F-7</u>
<u>Consolidated Statements of Cash Flows — Years Ended December 31, 2017, 2016 and 2015</u>	<u>F-8</u>
<u>Notes to Consolidated Financial Statements — December 31, 2017</u>	<u>F-9</u>

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

<u>Schedule II - Valuation and Qualifying Accounts</u>	<u>S-1</u>
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

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

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

Basis for Opinion

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

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

/s/ Ernst & Young LLP

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

Atlanta, Georgia
February 23, 2018

Forward Air Corporation
Consolidated Balance Sheets
(Dollars in thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Accounting Policies

Basis of Presentation and Principles of Consolidation

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

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

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

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

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

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

Use of Estimates

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

Allowance for Doubtful Accounts

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

Allowance for Revenue Adjustments

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

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

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

Self-Insurance Loss Reserves

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

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

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

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

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

Operating Leases

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

Goodwill and Other Intangible Assets

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

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

Software Development

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

2018	2,197
2019	1,878
2020	1,620
2021	1,327
2022	716
Total	<u>\$ 7,738</u>

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Income Taxes

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

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

Net Income Per Share

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

Share-Based Payments

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

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

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

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

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

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

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

Recent Accounting Pronouncements

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

In March 2016, the FASB issued guidance that changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital ("APIC") pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for, and we elected, to account for forfeitures as they occur rather than on an estimated basis. We adopted this guidance in January 2017 and the elimination of APIC pools resulted in approximately \$545 of income tax benefit during the full year December 31, 2017. This guidance has been applied prospectively and no prior periods have been adjusted.

In February 2016, the FASB, issued ASU 2016-02, Leases, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years with early adoption permitted. We are evaluating the impact of the future adoption of this standard on our consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017. The guidance permits the use of either a full retrospective or modified retrospective adoption approach with a cumulative effect adjustment recorded in either scenario as necessary upon transition.

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

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In addition, based on a review of our customer shipping arrangements, we currently believe the implementation of this standard will change our revenue recognition policy from recognizing revenue upon shipment completion to recognizing revenue over time based on the progress toward completion of shipments in transit at each period end. While the timing of revenue recognition will be accelerated, due to the short duration of our transit times and relatively low dollar value of individual shipments, the anticipated impact on our consolidated financial position, revenue and results from operations is not expected to be significant.

2. Acquisitions, Goodwill and Other Long-Lived Assets

Acquisition of Towne

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

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

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

CST Acquisitions

As part of the Company's strategy to expand its Intermodal operations, in May 2017, we acquired certain assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (together referred to as "Atlantic" in this note) for \$22,500 and a potential earnout of \$1,000. The acquisition was funded by a combination of cash on hand and funds from our revolving credit facility. Atlantic was a privately held provider of intermodal, drayage and related services headquartered in Charleston, South Carolina. It also has terminal operations in Atlanta, Charlotte, Houston, Jacksonville, Memphis, Nashville, Norfolk and Savannah. These locations allow Intermodal to significantly expand its footprint in the southeastern region. In October 2017, we also acquired certain assets of Kansas City Logistics, LLC ("KCL") for \$640 and a potential earnout of \$100. KCL provides CST with an expanded footprint in the Kansas and Missouri markets. During the year ended December 31, 2016, Atlantic generated approximately \$62,300 in revenue. In January 2016, the Company also acquired certain assets of Ace Cargo, LLC ("Ace") for \$1,700, and in August 2016, we acquired certain assets of Triumph Transport, Inc. and Triumph Repair Service, Inc. (together referred to as "Triumph") for \$10,100 and an earnout of \$1,250 paid in September 2017. These acquisitions provided an opportunity for our Intermodal operations to expand into additional Midwest markets. The assets, liabilities, and operating results of these collective acquisitions have been included in the Company's consolidated financial statements from their dates of acquisition and have been included in the Intermodal reportable segment.

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Allocations of Purchase Prices

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

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

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

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

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

Goodwill

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2017. The first step of the goodwill impairment test is the Company's assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, including goodwill.

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When performing the qualitative assessment, the Company considers the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, the Company believes it more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, or periodically as deemed appropriate by management, the Company will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach. If a quantitative fair value estimation is required, the Company estimates the fair value of the applicable reporting units, using a combination of discounted projected cash flows and market valuations for comparable companies as of the valuation date. The Company's inputs into the fair value estimates for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("the FASB Codification"). If the estimation of fair value indicates the impairment potentially exists, the Company will then measure the amount of the impairment, if any. Goodwill impairment exists when the estimated implied fair value of goodwill is less than its carrying value. Changes in strategy or market conditions could significantly impact these fair value estimates and require adjustments to recorded asset balances.

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

In 2016, due to the financial performance of the TQI reporting unit falling notably short of previous projections the Company reduced TQI's projected cash flows and as a result the estimate of TQI's fair value no longer exceeded the respective carrying value. Consequently, the Company recorded a goodwill impairment charge of \$25,686 for the TQI reporting unit during the year ended December 31, 2016.

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

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

Other Acquired Intangibles

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

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

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

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

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

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

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

Additionally, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. In conjunction with the June 30, 2016 TQI goodwill impairment assessment the Company determined there were indicators that TQI's customer relationship and non-compete intangible assets were impaired, as the undiscounted cash flows associated with the applicable assets no longer exceeded the related assets' net book values. The Company estimated the fair value of the customer relationship and non-compete assets using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To estimate fair value, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believed the level and timing of cash flows appropriately reflected market participant assumptions. As a result of these estimates the Company recorded an impairment charge of \$16,501 related to TQI customer relationships during the year ended December 31, 2016. The Company incurred no such impairment charge during the year ended December 31, 2017.

3. Debt and Capital Lease Obligations

Credit Facilities

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

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

Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility is based on the highest of (a) the federal funds rate (not less than 0%) plus 0.5%, (b) the administrative agent's prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.3% to 0.8% with respect to the Facility depending on the

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

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

The Facility replaced the Company's previously existing unsecured credit facility, which had a maximum aggregate principal amount of \$275,000, including a revolving credit facility of \$150,000 and a term loan facility of \$125,000. The previous revolving credit facility was scheduled to expire in February 2020.

Capital Leases

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

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

	December 31, 2017	December 31, 2016
Equipment	\$ 635	\$ 635
Accumulated amortization	(413)	(307)
	<u>\$ 222</u>	<u>\$ 328</u>

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

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

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

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Interest Payments

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

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

Preferred Stock

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

Cash Dividends

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

Repurchase of Common Stock

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

Share-Based Compensation

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

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

Employee Activity - Options

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

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

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

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

Employee Activity – Non-vested shares

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

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

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

Employee Activity – Performance shares

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

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

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

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

Employee Activity – Employee Stock Purchase Plan

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

Non-employee Directors – Non-vested shares

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

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credit the director with dividend equivalent payments in the form of additional deferred stock units for each cash dividend payment made by the Company.

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

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

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

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

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Net Income per Share

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

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

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

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

5. Income Taxes

Tax Reform

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

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

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

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estimates of the effects on our consolidated financial statements and tax disclosures, including the changes to our existing deferred tax balances.

Income Taxes

The provision for income taxes consists of the following:

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

The tax benefit associated with the exercise of stock options and the vesting of non-vested shares recorded to additional paid in capital during the years ended December 31, 2016 and 2015 were \$1,732 and \$5,413, respectively, and are reflected as an increase in additional paid-in capital in the accompanying consolidated statements of shareholders' equity. For 2017, FASB guidance required the recognition of the income tax effects of awards in the income statement when the awards vest or are settled thus eliminating additional paid in capital ("APIC") pools.

The historical income tax expense differs from the amounts computed by applying the federal statutory rate of 35.0% to income before income taxes as follows:

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

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

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

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

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

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

Income Tax Contingencies

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

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

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

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

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

6. Operating Leases

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

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

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

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

7. Commitments and Contingencies

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

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

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

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

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

8. Employee Benefit Plan

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

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

9. Financial Instruments

Off Balance Sheet Risk

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

Fair Value of Financial Instruments

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

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

The Company's revolving credit facility and term loan bear variable interest rates plus additional basis points based upon covenants related to total indebtedness to earnings. As the term loan bears a variable interest rate and there have been no significant changes to our credit rating, the carrying value approximates fair value. Using interest rate quotes and discounted cash flows, the Company estimated the fair value of its outstanding capital lease obligations as follows:

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

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

10. Segment Reporting

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

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

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

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

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

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

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

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

11. Quarterly Results of Operations (Unaudited)

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

	2017			
	March 31	June 30	September 30	December 31
Operating revenue	246,982	267,518	280,201	306,116
Income from operations	23,189	29,809	26,898	28,776
Net income	14,243	19,550	18,155	35,374
Net income per share:				
Basic	\$ 0.47	\$ 0.65	\$ 0.60	\$ 1.19
Diluted	\$ 0.47	\$ 0.64	\$ 0.60	\$ 1.18
	2016			
	March 31	June 30	September 30	December 31
Operating revenue	229,548	238,637	249,552	264,793
Income from operations	21,404	(14,348)	24,700	28,223
Net income	13,099	(10,066)	11,931	12,706
Net income per share:				
Basic	\$ 0.43	\$ (0.33)	\$ 0.39	\$ 0.42
Diluted	\$ 0.43	\$ (0.33)	\$ 0.39	\$ 0.42

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

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

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

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

(3) Represents adjustments to billed accounts receivable

EXHIBIT INDEX

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

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

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

*Denotes a management contract or compensatory plan or arrangement.

Shareholder Information

Corporate Headquarters

1915 Snapps Ferry Road, Building N
Greeneville, Tennessee 37745
(423) 636-7000
www.forwardaircorp.com

Annual Meeting

The Company's 2018 Annual Meeting of Shareholders will be held at 8:00 a.m., EDT, on Tuesday, May 15, 2018, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337. Shareholders are invited to attend this meeting.

Inquiries

Inquiries from shareholders, securities analysts, registered representatives, and the news media regarding the Company should be directed to Michael J. Morris at (423) 636-7000 or e-mailed to investorrelations@forwardair.com at the Company's corporate headquarters.

The Company maintains a direct mailing list to assist shareholders with stock held in brokerage accounts to receive information on a timely basis. Shareholders wishing to be added to this list should direct their requests to Forward Air Corporation Investor Relations, P.O. Box 1058, Greeneville, Tennessee 37744, e-mail investorrelations@forwardair.com or call (404) 362-3954.

Shareholder inquiries regarding change of address, transfer of stock certificates and lost certificates should be directed to:

Computershare
P.O. Box 30170
College Station, TX 77842-3170
(800) 568-3476
<https://www-us.computershare.com/investor/Contact>

Independent Registered Public Accounting Firm

Ernst & Young LLP
One Nashville Place
Suite 1400
150 Fourth Avenue North
Nashville, Tennessee 37219

Executive Officers

Bruce A. Campbell
Chairman, President and Chief Executive Officer

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

Michael L. Hance
Chief Legal Officer, Senior Vice President and Secretary

Matthew J. Jewell
President, Logistics Services

Board of Directors

Bruce A. Campbell
Chairman, President and Chief Executive Officer
Forward Air Corporation

Ronald W. Allen
Former Chief Executive Officer
Aaron's, Inc.

Ana B. Amicarella
Managing Director
Aggreko PLC

Valerie A. Bonebrake
Former Vice President
Tompkins International

C. Robert Campbell
Lead Independent Director, Forward Air Corporation
Former Executive Vice President and Chief Financial Officer
MasTec, Inc.

R. Craig Carlock
Owner and Chief Executive Officer
Omega Sports, Inc.

C. John Langley, Jr., Ph.D.
Clinical Professor of Supply Chain Management and Director of Development for The Center for Supply Chain Research
The Pennsylvania State University

G. Michael Lynch
Former Executive Vice President and Chief Financial Officer
Federal-Mogul Corporation

Javier A. Palomarez
Former President and Chief Executive Officer
United States Hispanic Chamber of Commerce

Chris C. Ruble
President, Expedited Services

Glenn A. Adelaar
Senior Vice President, Systems Technology

Kyle R. Mitchin
Senior Vice President, Human Resources

