

**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, 2021
Commission file number: 000-22490

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** **Greeneville** **TN**
(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:

| <u>Title of Each Class</u> | <u>Trading Symbol(s)</u> | <u>Name of Each Exchange on Which Registered</u> |
|--------------------------------|--------------------------|--------------------------------------------------|
| Common Stock, \$0.01 par value | FWRD | 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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 \$1,781,062,975 as of June 30, 2021.

The number of shares outstanding of the Registrant's common stock (as of February 25, 2022): 26,941,467.

Documents Incorporated By Reference

Portions of the proxy statement for the 2022 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

Table of Contents

Forward Air Corporation

| | Page Number |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Part I. | |
| Item 1. Business | 4 |
| Item 1A. Risk Factors | 14 |
| Item 1B. Unresolved Staff Comments | 24 |
| Item 2. Properties | 24 |
| Item 3. Legal Proceedings | 24 |
| Item 4. Mine Safety Disclosures | 24 |
| Part II. | |
| Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities | 25 |
| Item 6. [Reserved] | 26 |
| Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 7A. Quantitative and Qualitative Disclosures About Market Risk | 43 |
| Item 8. Financial Statements and Supplementary Data | 43 |
| Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 43 |
| Item 9A. Controls and Procedures | 43 |
| Item 9B. Other Information | 46 |
| Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections | 46 |
| Part III. | |
| Item 10. Directors, Executive Officers and Corporate Governance | 46 |
| Item 11. Executive Compensation | 46 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters | 46 |
| Item 13. Certain Relationships and Related Transactions, and Director Independence | 46 |
| Item 14. Principal Accounting Fees and Services | 46 |
| Part IV. | |
| Item 15. Exhibits, Financial Statement Schedules | 46 |
| Signatures | 47 |
| Index to Financial Statements | F-2 |
| Financial Statement Schedule | S-1 |
| Exhibit Index | |

Part I

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (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. Some forward-looking statements may be identified by use of such terms as “believes,” “anticipates,” “intends,” “plans,” “estimates,” “projects” or “expects.”

In this Form 10-K, forward-looking statements include, but are not limited to, any statements regarding the impact of the COVID-19 pandemic on our business, results of operations, future operations and financial condition; any projections of earnings, revenues, payment of dividends, other financial items or related accounting treatment, or cost reduction measures; any statements regarding future performance; any statements regarding the availability of cash; any statements regarding the impact of the Ransomware Incident on our business, future operations and results; any statements of plans, strategies, and objectives of management for future operations; any statements regarding future insurance, claims and litigation and any associated estimates or projections; any statements regarding regulation and legislative impacts on our business; any statements concerning proposed or intended, new services, developments or integration measures; any statements regarding our technology and information systems, including the effectiveness of each; any statements regarding competition, including our specific advantages, the capabilities of our segments, including the integration of services and our geographic location; any statement regarding our properties; any statements regarding intended expansion through acquisition or greenfield startups; any statements regarding future business, economic conditions or performance; any statements regarding our ESG and sustainability initiatives; any statement regarding certain tax and accounting matters, including the impact on our financial statements; and any statements of belief and any statements of assumptions underlying any of the foregoing.

These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including those described in “Risk Factors” below. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Form 10-K may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Important factors that may materially affect the forward-looking statements include the risk factors summarized below.

The factors identified below are believed to be important factors, but not necessarily all of the important factors, that could cause actual results to differ materially from those expressed in any forward-looking statement made by us. Other factors not discussed herein could also have a material adverse effect on us. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. These forward-looking statements speak only as of the date of this Form 10-K. We assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future, except as required by applicable law.

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 COVID-19 pandemic, our ability to manage our growth and ability to grow, in part, through acquisitions, while being able to successfully integrate such acquisitions, our ability to secure terminal facilities in desirable locations at reasonable rates, more limited liquidity than expected which limits our ability to make key investments, the creditworthiness of our customers and their ability to pay for services rendered, 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, the availability and compensation of qualified Leased Capacity Providers and freight handlers as well as contracted, third-party carriers needed to serve our customers’ transportation needs, our inability to manage our information systems and inability of our information systems to handle an increased volume of freight moving through our network, the occurrence of cybersecurity risks and events, market acceptance of our service offerings, claims for property damage, personal injuries or workers’ compensation, enforcement of and changes in governmental regulations, environmental, tax, insurance and accounting matters, the handling of hazardous materials, changes in fuel prices, loss of a major customer, increasing competition and pricing pressure, our dependence on our senior management team and the potential effects of changes in employee status, seasonal trends, the occurrence of certain weather events, restrictions in our charter and bylaws. 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 Corporation (“Forward”, the “Company”, “we”, “our”, or “us”) is a leading asset-light freight and logistics company. We provide less-than-truckload (“LTL”), final mile, truckload and intermodal drayage services across the United States and in Canada. We offer premium services that typically require precision execution, such as expedited transit, delivery during tight time windows and special handling. 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”.

Discontinued Operation

On April 23, 2020, the Board of Directors (the “Board”) approved a strategy to divest our Pool Distribution business (“Pool”), and the sale of Pool was completed on February 12, 2021. Pool provided high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. Pool offered this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States. As a result of the strategy to divest of Pool, Pool’s results of operations are presented as a discontinued operation in our Consolidated Statements of Comprehensive Income for all periods presented. In addition, assets and liabilities were reflected as “Current assets held for sale”, “Noncurrent assets held for sale”, “Current liabilities held for sale” and “Noncurrent liabilities held for sale” in the Consolidated Balance Sheets as of December 31, 2020. Unless otherwise noted, amounts, percentages and discussion for all periods reflect the results of operations, financial condition and cash flows from our continuing operations.

Services Provided

Our services are classified into two reportable segments: Expedited Freight and Intermodal. For financial information relating to each of our business segments, see Note 12, *Segment Reporting* to our Consolidated Financial Statements included in this Form 10-K.

Expedited Freight. We operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited Freight offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. We plan to grow our LTL and final mile geographic footprints through greenfield start-ups as well as acquisitions. During the year ended December 31, 2021, Expedited Freight accounted for 82.6% 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 and Mid-Atlantic United States. We plan to grow Intermodal’s geographic footprint through acquisitions as well as greenfield start-ups where we do not have an acceptable acquisition target. During the year ended December 31, 2021, Intermodal accounted for 17.4% of our consolidated revenue.

Strategy

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

- *Expand Service Offerings.* A key part of our growth strategy is to offer new and enhanced services that address our customers’ premium transportation needs. Over the past few years, we added or enhanced LTL pickup and delivery, final mile solutions, 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. Another part of our growth strategy is to open new terminals in under penetrated markets away from airport locations.

- *Pursue Strategic Acquisitions.* We continue to evaluate and pursue acquisitions that support our growth strategy. In 2014 we created the foundation for what is our Intermodal segment by acquiring Central States Trucking Co. (“CST”). Since the acquisition of CST, we have completed thirteen additional intermodal acquisitions. In order to enhance our final mile footprint, we acquired FSA Network, Inc. (“FSA”) in April 2019, Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, “Linn Star”) in January 2020 and CLW Delivery, Inc. (“CLW”) in October 2020. In May 2021, we acquired J&P Hall Express Delivery (“J&P”) to expand the expedited LTL footprint across the Southeastern United States.
- *Enhance Information Systems.* We are committed to the development and enhancement of our information systems in order to provide 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.

Operations

The following describes in more detail the operations of each of our reportable segments: Expedited Freight and Intermodal.

Expedited Freight

Overview

Our Expedited Freight segment provides expedited regional, inter-regional and national LTL, final mile and truckload services. We market our Expedited Freight services primarily to freight and logistics intermediaries (such as freight forwarders and third-party logistics companies), airlines (such as integrated air cargo carriers, and passenger and cargo airlines) and retailers (such as retailers of heavy bulky appliances). We offer our customers a high level of service with a focus on on-time, damage-free deliveries. Our Expedited Freight network encompasses approximately 92% of all continental U.S. zip codes, with service in Canada.

Shipments

During 2021, approximately 29% of the freight handled by our LTL network was for overnight delivery, approximately 57% 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 LTL network was approximately 55.4 million pounds per week in 2021. During 2021, our average shipment weighed approximately 729 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 Freight markets its services primarily to freight and logistics intermediaries; however, it may at times, provide such services to shippers if the opportunity is consistent with Expedited Freight’s strategy. Also, because Expedited Freight 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 LTL network for each year since 2007.

| Year | Average Weekly Volume in Pounds (In millions) |
|-------------|--------------------------------------------------------------|
| 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 |
| 2018 | 50.2 |
| 2019 | 48.6 |
| 2020 | 46.3 |
| 2021 | 55.4 |

Transportation

Expedited Freight's licensed motor carriers entered into contracts with independent contractor fleets, owner-operators and other third-party transportation capacity providers for most of its transportation services. Our independent contractor fleet owners and owner-operators lease their equipment to the Company's motor carriers ("Leased Capacity Providers") and 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 our Leased Capacity Providers between our terminals.

We seek to establish long-term relationships with Leased Capacity Providers to assure dependable service and availability. We believe Expedited Freight has experienced significantly higher average retention of Leased Capacity Providers compared to other over-the-road transportation providers. Expedited Freight has established specific guidelines relating to safety records, driving experience and personal evaluations that we use to select our Leased Capacity Providers. To enhance our relationship with the Leased Capacity Providers, Expedited Freight seeks to pay rates that are generally above prevailing market rates, and our Leased Capacity Providers often are able to negotiate a consistent work schedule for their drivers. Usually, Leased Capacity Providers 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 Leased Capacity Providers and, in turn, increasing the retention rate of drivers and Leased Capacity Providers.

As a result of efforts to expand our logistics and other services, and in response to seasonal demands and volume surges in particular markets, we also purchase transportation from other surface transportation providers to handle overflow volume. Of the \$743,418 incurred for Expedited Freight's transportation during 2021, we purchased 30.4% from the Leased Capacity Providers of our licensed motor carrier, 44.9% from third-party cartage agents and 24.7% from other surface transportation providers.

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

Other Services

Expedited Freight continues to evolve the capabilities of its network to provide additional value-added services. Expedited Freight also seeks to lower its unit costs by integrating these services into the overall operation of its network.

Expedited Freight offers final mile services which include the delivery and installation of heavy bulky appliances such as washing machines, dryers, dishwashers and refrigerators. Through the acquisition of FSA Logistix in 2019, Linn Star in January 2020, and CLW in October 2020, Expedited Freight significantly expanded its final mile geographic footprint and now operates in 112 locations nationwide. Expedited Freight is also increasingly integrating these deliveries into its LTL pickup and delivery and terminal operations so as to increase network density and lower overall LTL unit costs.

Expedited Freight offers truckload services which include expedited truckload brokerage, dedicated fleet services, as well as high security and temperature-controlled logistics services.

Other Expedited Freight 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 Expedited Freight wholesale customer base is primarily comprised of freight forwarders, third-party logistics (“3PL”) companies, integrated air cargo carriers and passenger, cargo airlines, steamship lines and retailers. Expedited Freight’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 Freight 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 2021, Expedited Freight’s ten largest customers accounted for approximately 40% of its operating revenue and no single customer had revenue greater than 10% of Expedited Freight operating revenue for 2021.

Intermodal

Overview

Our Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and container freight station (“CFS”) warehouse and handling services. Today, Intermodal operates primarily in the Midwest and Southeast, with smaller operational presence in Southwest and Mid-Atlantic United States. We plan to 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 29 locations primarily in the Midwest and Southeast, with a smaller operational presence in the Southwest and Mid-Atlantic United States.

Transportation

Intermodal utilizes a mix of Company-employed drivers, Leased Capacity Providers and third-party carriers. During 2021, approximately 71% of Intermodal’s direct transportation expenses were provided by Leased Capacity Providers, 24% by Company-employed drivers, and 5% 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, beneficial cargo owners and steamship lines. In 2021, Intermodal's ten largest customers accounted for approximately 32% of its operating revenue and had one customer with revenue greater than 10% of Intermodal operating revenue for 2021.

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 Freight segment primarily competes with other national and regional truckload carriers. Expedited Freight also competes with less-than-truckload carriers, and to a lesser extent, integrated air cargo carriers and passenger and cargo airlines. 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, security, transportation rates, location of facilities, and business relationships, and we believe we compete favorably with other transportation service companies in these areas. To that end, we believe our Expedited Freight segment has an advantage over other truckload and less-than-truckload carriers because Expedited Freight 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 Intermodal segment has a competitive advantage over other drayage providers because we deliver 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.

Marketing

We market all of our services through a sales and marketing staff located in major markets of the United States. Senior management is also actively involved in sales and marketing to the national and local account levels. We participate in trade shows and advertise our services through digital marketing channels, trade publications, and the Internet via www.tlxpedited.com, www.forwardair.com, www.forwardaircorp.com, and www.forward-intermodal.com. Our websites promote and describe our services in addition to lead generation support. The information on our websites is not part of this filing and is therefore not incorporated by reference unless such information is 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.

Workforce

We recognize that our workforce, including our freight handlers, is our most valuable asset. We strive to put people at the center of everything we do by empowering our workforce to improve their lives and realize their full potential. The recruitment, training and retention of qualified employees is essential to support our continued growth and to meet the service requirements of our customers.

As of December 31, 2021, we had 4,035 full-time employees, 975 of whom were freight handlers and an additional 292 part-time employees, the majority of whom were freight handlers. In 2021, none of our employees were covered by a collective bargaining agreement.

Roadway Health and Safety

We are committed to educating our people and promoting driver health and wellness through routine communication campaigns and information designed to improve knowledge and produce safer results. Drivers of our Leased Capacity Providers complete a three-day safety orientation as part of their onboarding where they are assigned several training courses. Safety trainings may also be assigned on an ongoing basis, based on driving behaviors.

We invest in a variety of programs focused on improving and maintaining driver health and wellness. We provide drivers access to a fatigue management service with the goal of reducing fatigue-related accidents and encouraging healthy, restful sleep. We have implemented fleet safety equipment, including electronic monitoring systems, to track driver safety, well-being, and health through monitoring of speed and proper hours-of-service-required rest breaks.

We provide a quarterly safety bonus and annual vehicle giveaway to incentivize our Leased Capacity Providers to promote safe driving practices. These initiatives celebrate drivers of our Leased Capacity Providers who have zero moving violations or accidents each quarter. Drivers who obtain four quarterly bonuses are eligible to win a new vehicle. In 2021, 211 Leased Capacity Providers as well as Company-employed drivers qualified for the vehicle giveaway. Looking ahead, we will continue to identify and promote opportunities to adopt health and wellness practices for the drivers of our Leased Capacity Providers.

Workplace Health and Safety

We are committed to maintaining safe facilities for our employees and independent contractors. We are also committed to evaluating our practices and training our employees and independent contractors to prevent workplace incidents.

Beyond our roadway safety focus, we employ, maintain, and monitor a robust health and safety program for all of our workers, which establishes procedures and policies to prevent workplace incidents. Policies and procedures exist to investigate accidents and monitor lessons learned, driving continuous improvement in the health and safety practices across our facilities. All of our employees are assigned to 36 training courses as part of onboarding and employees may be assigned additional refresher trainings based on corrective action or identified risk.

Diversity and Inclusion

We are committed to creating an even more diverse, equitable, and inclusive work environment than we have today. Our commitment to a diverse and inclusive workplace begins at the top, starting with our Board. Diversity in race, ethnicity, and gender are important factors in evaluating candidates for board nominees and since July 2017, we have added four female directors to our Board, two directors who identify as Hispanic, one director who identifies as African American and one director who identifies as Indian. We believe diverse backgrounds and experiences are important to provide a range of perspectives to overcome challenges, improve business performance, and support good decision making.

The skills and talents of our diverse workforce drive our performance and we respect the value they bring to our business. We strive for a diverse and inclusive environment where everyone can contribute and thrive. We have an ongoing commitment to ensure we have a diverse workforce and Board presence. We understand that a welcoming workplace attracts top talent, which drives performance and profitability. We seek candidates from all backgrounds, to continue to build our industry's most qualified workforce.

In 2020, we created a Diversity and Inclusion ("D&I") Council to promote employee inclusion and engagement through initiatives that celebrate the diversity of our employees. As an organization that puts people at the center of everything we do, our vision is increased employee engagement and retention in part through enhanced D&I practices. Our assessment identified several D&I improvement activities that foster an inclusive environment:

- Incorporate additional D&I training into our education programs for employees and leadership.
- Engage our employees in the celebration of diversity. We plan to launch a series of Employee Resource Groups to foster an inclusive environment and better understand our colleagues' backgrounds.
- Assess our current benefits program to identify improvement opportunities to support our increasingly diverse employees' unique needs.

Our employees are also offered three D&I trainings throughout the year, Understanding Diversity, Generational Awareness, and Emotional Intelligence.

Compensation and Benefits

One of the most important ways we support our employees and their families is through a comprehensive benefits package for all full-time employees. Our employees have access to the following:

- *Competitive Benefits.* We provide a strong benefit package to employees that includes health care insurance, dental insurance, vision insurance, Company-paid life insurance, paid time off, Company-paid holidays, family medical leave, and a 401(k) with a Company match.
- *Wellness Program.* The Employee Wellness Program provides access to annual medical screenings and health fairs, at no cost to the employee, to help keep employees healthy. Additionally, the Employee Wellness Program provides discounted gym memberships, free weight loss and smoking cessation programs, a healthy pregnancy program with incentives, and an Employee Assistance program.
- *Work / Life Balance.* We understand that a work / life balance is important to our employees. We consistently strive to improve our paid time off benefits for all of our employees, which allows us to retain and recruit quality employees.

Beyond our benefits package, career advancement has always been at the forefront for our employees and we truly pride ourselves with being able to promote from within. Our continuous learning workshops range from customer service to leadership and beyond. We strive to provide meaningful development opportunities for 100% of our employee population.

Equipment

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. As of December 31, 2021, we had 6,370 owned trailers in our fleet with an average age of approximately six years. In addition, as of December 31, 2021, we also had 404 leased trailers in our fleet. As of December 31, 2021, we had 267 owned tractors and straight trucks in our fleet, with an average age of approximately five years. In addition, as of December 31, 2021, we also had 598 leased tractors and straight trucks in our fleet.

Environmental Protection and Community Support

We embrace a comprehensive definition of sustainability that addresses Environmental, Social, and Governance factors (“ESG”). To our employees, our communities, our customers, our suppliers, and our investors, each impact area matters.

In 2019, our Board amended the Corporate Governance and Nominating (“CG&N”) Committee Charter to oversee our efforts related to environmental, social, and governance matters, and management of sustainability-related risks and opportunities. At least twice a year, the CG&N Committee is updated on each of these topics and provides feedback and recommendations that it deems appropriate.

At the beginning of 2020, our leadership created and staffed the Head of Corporate ESG role to provide oversight of our ESG vision, strategic planning, performance management and improvement activities. Shortly after, we initiated an ESG market analysis and benchmarking exercise that explored the ESG issues that most impact transportation and logistics industries and marketplaces.

In second quarter of 2020, we began to conduct an ESG assessment, starting with a third-party stakeholder assessment that served as a basis for identifying and prioritizing ESG topics most relevant to our industry, our business, and our stakeholders. The assessment’s findings yielded initial topics that we recognized as important. We followed with a more in-depth assessment of risks and opportunities, utilizing Sustainable Accounting Standards Board (“SASB”) standards as a guide, in order to further refine our disclosure topics and gain stakeholder alignment. SASB identifies us as part of the “Airfreight and Logistics” industry; we decided to also incorporate the disclosure topics under “Road Transportation” to assure that all relevant topics for our business were represented in this analysis.

This more detailed assessment yielded clarity of our ESG topics and prioritization based on the degree of both qualitative and quantitative impact to our business. We identified ten ESG topic priority areas relevant to our business and

mapped each to widely adopted ESG reporting standards as identified by SASB. Within these ten topic areas, we identified specific related risks and opportunities, and aligned on improvement activities.

The following are the ten ESG topic priority areas we identified relevant to our business and the foundation for our sustainability approach:

- Roadway Health & Safety; Workplace Health & Safety; Independent Contractor Practices; Diversity & Inclusion Practices; Community Impact & Partnerships; Measure & Disclose; Information Security; Responsible Supplier Practices; Green House Gas (“GHG”) Emissions Reduction Practices; and Air Quality Practices

Beyond our roadway safety focus, we employ, maintain, and monitor a robust Health and Safety program for all of our workers which establishes procedures and policies to prevent workplace incidents. As part of our assessment, we have identified improvement activities to develop a comprehensive Emergency Preparedness Plan (“EPP”) for all our facilities. The EPP is under development and in compliance with OSHA 29 CFR 1910 standards and FMCSA 49 CFR. When completed, we will distribute and maintain this EPP for employees and independent contractors alike, across our facilities and corporate offices.

We are committed to supporting and giving back to the communities where we live and work, particularly through the support of our employee Veterans, and to the community of Veterans in North America.

We continue to support our Veterans through our charitable organization, Operation: Forward Freedom, a manifestation of our ongoing commitment to Veteran-related causes. Operation Forward Freedom’s largest fundraising event is intended to be The Inaugural Drive for Hope Golf tournament. In 2020 and 2021, the Inaugural Drive For Hope Golf Tournament was postponed due to COVID-19. The Drive For Hope Golf Tournament is scheduled to take place in 2022.

We also partner with non-profit organizations that positively impact our communities and our industry. Through our partnership with Truckers Against Trafficking, we have conducted training for over-the-road drivers to educate and equip them with the tools needed to combat human trafficking.

We partner with Women in Trucking to encourage and promote the employment of women within our industry. Our team of drivers is currently comprised of 15% women, roughly twice the U.S. industry average, and we continue to seek opportunities to improve upon that percentage.

We are committed to promoting a healthier natural environment by striving for continuous environmental improvements in all aspects of our business.

We are currently reducing emissions and energy consumption through several ongoing programs and is committed to tracking and reducing our GHG emissions and improving energy efficiency.

We are also aligning with industry certifications, continuing to be a SmartWay certified company. SmartWay is a certification from the U.S. Environmental Protection Agency (“EPA”) verifying company compliance with EPA regulations, including fuel efficiency ranges and emission standards.

In 2021, we published our first ESG Report outlining our commitments and associated focus areas. Since publication, we have been focused on data aggregation. In our future reporting, we will incorporate data requirements identified by widely accepted sustainability frameworks (CDP, SASB, GRI, etc.) and set measurable targets and goals for our priority areas. We are committed to making our results count across the country and will continue to update our future disclosures accordingly.

Risk Management and Litigation

Under DOT regulations, we are liable for bodily injury and property damage caused by Leased Capacity Providers and employee drivers while they are operating equipment under our various motor carrier authorities. The potential liability associated with any accident can be severe and occurrences are unpredictable.

For vehicle liability, we retain a portion of the risk. Below is a summary of our risk retention on vehicle liability insurance coverage maintained by us through \$10,000 (in thousands):

| | | Risk Retention | Frequency | Layer | Policy Term |
|--------------------------------------|------------------------------------------|-----------------------|------------------------------------|---------------------|------------------------|
| Expedited Freight¹ | | | | | |
| | LTL business | \$ 3,000 | Occurrence/Accident ² | \$0 to \$3,000 | 10/1/2021 to 10/1/2022 |
| | Truckload business | \$ 2,000 | Occurrence/Accident ² | \$0 to \$2,000 | 10/1/2021 to 10/1/2022 |
| | LTL business | \$ 6,000 | Policy Term Aggregate ³ | \$3,000 to \$5,000 | 10/1/2021 to 10/1/2022 |
| | LTL, Truckload and Intermodal businesses | \$ 2,500 | Policy Term Aggregate ³ | \$5,000 to \$10,000 | 10/1/2021 to 10/1/2022 |
| Intermodal | | \$ 1,000 | Occurrence/Accident ² | \$0 to \$1,000 | 10/1/2021 to 10/1/2022 |

¹ Excluding the Final Mile business, which is primarily a brokered service.

² For each and every accident, we are responsible for damages and defense up to these amounts, regardless of the number of claims associated with any accident.

³ During the Policy Term, we are responsible for damages and defense within the stated Layer up to the stated, aggregate amount of Risk Retention before insurance will respond.

Also, from time to time, when brokering freight, we may face claims for the “negligent selection” of outside, contracted carriers that are involved in accidents, and we maintain third-party liability insurance coverage with a \$100 deductible per occurrence for most of our brokered services. Additionally, we maintain workers’ compensation insurance with a self-insured retention of \$500 per occurrence. We cannot guarantee that our self-insurance retention levels will not increase and/or that we may have to agree to more unfavorable policy terms as a result of market conditions, poor claims experience or other factors. 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.

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 the DOT. The DOT and the Federal Motor Carrier Safety Administration (“FMCSA”), an agency within the DOT, manages a Compliance, Safety, Accountability initiative (“CSA”) which governs matters such as safety requirements and compliance, registration to engage in motor carrier operations, drivers’ hours of service (“HOS”) requirements, and certain mergers, consolidations, and acquisitions. We are also subject to laws and regulations under the U.S. Environmental Protection Agency and the Occupational Safety and Health Administration, which regulate safety, the supervision of hazardous materials, water discharges, air emissions, solid waste disposal and the release and cleanup of other substances. 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.

We are also subject to employment laws and regulations, including the changing regulatory landscape, with the potential effects of California Assembly Bill 5 (“California AB5”), which introduced a new test for determining worker classification that is viewed as expanding the scope of employee relationships and narrowing the scope of independent contractor relationships.

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 U.S. federal trademark registrations associated with the following service marks: Forward (logo), Forward Air, Inc. (logos), circle design (logo), Forward Air®, Forward Air (logos), Forward Air Complete®, Forward Air Complete (logo), Forward Air Solutions®, Forward Air Solutions (logo), TQI, inc. (logo), TQI (logo), Central States Trucking Co. (logo), FAF, Inc. (logo), FSA Logistix (logo), First in “last mile” Home Delivery®, North America’s Most Complete Road Feeder Network®, and Keeping Your Business Moving Forward®. We also hold an allowed federal trademark application for the Precision Execution logo. We additionally have certain common law service mark rights, including in the tagline When It Matters, Think Forward, that are not currently registered with the United States Patent and Trademark Office. As our brands evolve, certain of these marks may go out of use, and others may be developed over time. Our 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, other reports and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended 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 the Investor Relations portion of our website such 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

The following are important risk factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Annual Report on Form 10-K or our other filings with the SEC or in oral presentations such as telephone conferences and webcasts open to the public. You should carefully consider the following factors and consider these in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 and our Consolidated Financial Statements and related Notes in Item 8.

Risks Relating to Our Business and Operations

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 and currency rate fluctuations, inflation and other economic factors beyond our control. Changes in U.S. trade policy could lead to ‘trade wars’ impacting the volume of economic activity in the United States, and as a result, trucking freight volumes may be materially reduced. Such a reduction may materially and adversely affect our business. 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 the domestic freight forwarder, Expedited Freight’s primary customer type, is disintermediated, and we are not able to transition effectively into servicing other customers, like third-party logistics companies and beneficial cargo owners, our business and financial results could be materially adversely affected.

Our profitability could be negatively impacted if our pricing structure proves to be inaccurate.

The price we charge our customers for the services we provide is based on our calculations of, among other things, the costs of providing those services. The Company’s assessment of its costs and resulting pricing structure is subject to effectively identifying and measuring the impact of a number of key operational variables including, but not limited to volumes, operational efficiencies, length of haul, the mix of fixed versus variable costs, productivity and other factors. If we are incorrect in our assumptions and do not accurately calculate or predict the costs to us to provide our services, we could experience lower margins than anticipated, loss of business, or be unable to offer competitive products and services.

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 new and existing customers, expanding our service offerings and pursuing strategic transactions. Our growth plans will place significant demands on our management and operating personnel. If we fail to successfully integrate, develop, and motivate new employees, it could harm our culture. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, maintain our performance, or

execute on our growth strategy.

To manage our current and anticipated future growth effectively, we must also continue to maintain, and may need to enhance, our operating and management information systems and information technology infrastructure, which will place additional demands on our resources and operations. Failure to manage our growth effectively could lead us to over-invest or under-invest in technology and operations; result in weaknesses in our infrastructure, systems, or controls; give rise to operational mistakes, losses, or loss of productivity or business opportunities; reduce customer satisfaction; limit our ability to respond to competitive pressures; and result in loss of employees and reduced productivity of remaining employees. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our revenue could decline or may grow more slowly than expected, and we may be unable to implement our growth strategy.

If we have difficulty attracting and retaining Leased Capacity Providers, other third-party transportation capacity providers, or freight handlers, our profitability and results of operations could be adversely affected.

We depend on third-party transportation capacity providers for most of our transportation capacity needs. In 2021, 47.5% of our purchased transportation capacity was provided by Leased Capacity Providers. Competition for Leased Capacity Providers is intense, and sometimes there are shortages in the marketplace. In addition, a decline in the availability of trucks, tractors and trailers for purchase or use by Leased Capacity Providers may negatively affect our ability to obtain the needed transportation capacity. We also need a large number of employee 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 or Leased Capacity Providers, we may be forced to increase wages and benefits for our employees or to increase the cost at which we contract with our Leased Capacity Providers, 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 the transportation capacity provided by Leased Capacity Providers, we purchase transportation from other third-party motor carriers at a higher cost. As with Leased Capacity Providers, 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 Leased Capacity Providers 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.

Our inability to complete acquisitions on acceptable terms could negatively impact our growth rate and financial performance.

We have grown through acquisitions, and we intend to pursue opportunities to expand our business by acquiring other companies in the future. Our ability to grow revenues, earnings and cash flow depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies and business performance. Appropriate targets for acquisition are difficult to identify and complete for a variety of reasons, including but not limited to, limited due diligence, high valuations, business and intellectual property evaluations, other interested parties, negotiations of the definitive documentation, satisfaction of closing conditions, the need to obtain antitrust or other regulatory approvals on acceptable terms, and availability of funding. The inability to close appropriate acquisitions on acceptable terms could adversely impact our growth rate, revenue, and financial performance.

The Company may encounter difficulties with acquisitions.

Acquisitions involve risks. Although the Company conducts due diligence reviews of potential acquisition candidates, it may not be able to identify all material liabilities or risks related to potential acquisition candidates. There can be no assurance that the Company will be able to locate and acquire any business, retain key personnel and customers of an acquired business or integrate any acquired business successfully. Additionally, there can be no assurance that financing for any acquisition, if necessary, will be available on acceptable terms, if at all, or that the Company will be able to accomplish its strategic objectives in connection with any acquisition.

Future acquisitions may be difficult to integrate into our existing operations, may disrupt our business, dilute shareholder value, divert management's attention, or negatively affect our operating results.

We have acquired multiple businesses since our inception, including four in fiscal 2021. Future acquisitions could involve substantial investment of funds or financings by issuance of debt or equity securities and could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt. Any such acquisition may not be successful in generating revenues, income or other returns to us, and the resources committed to such activities will not be available to us for other purposes. Moreover, if we are unable to access capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so based upon less than optimal capital structure. Our inability to take advantage of growth opportunities for our business or to address risks associated with acquisitions or investments in businesses may negatively affect our operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings which, in turn, may have an adverse material effect on the price of our common stock.

A determination by regulators that our Leased Capacity Providers 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 independent contractor transportation capacity providers like our Leased Capacity Providers are “employees,” rather than “independent contractors.” Additionally, we are aware of certain judicial decisions and recently enacted state laws that could bring about major reforms in the classification of workers, including the California legislature’s passage of California Assembly Bill 5 (“California AB 5”). California AB 5 purports to codify a new test for determining worker classification that is broadly viewed as expanding the scope of employee relationships and narrowing the scope of independent contractor relationships. Given the passage of California AB 5 and ongoing litigation regarding its applicability to motor carriers regulated by the U.S. Department of Transportation, there is a significant degree of uncertainty regarding its application. In addition, California AB 5 has been the subject of widespread national discussion and it is possible that other jurisdictions may enact similar laws.

A determination by regulators that our Leased Capacity Providers 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, the topic of the classification of individuals as employees or independent contractors has gained increased attention among the plaintiffs’ bar and 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.

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. The timing of our capital investments, pricing models and service availability are generally based on our existing and anticipated customer contracts. Any change in 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, 2021, our top ten customers, based on revenue, accounted for approximately 35% of our revenue. No customer accounted for more than 10% of consolidated revenues. These customers can impact our revenues and profitability based on factors such as: industry trends related to e-commerce that may apply downward pricing pressures on the rates our customers can charge; the seasonality associated with the fourth quarter holiday season;

business combinations and the overall growth of a customer's underlying business; and any disruptions to our customer's businesses. These customers could choose to divert all or a portion of their business with us to one of our competitors, demand pricing concessions for our services, require us to provide enhanced services that increase our costs, or develop their own shipping and distribution capabilities. Our Expedited Freight and Intermodal segments typically do not have long-term contracts with their customers. 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. In addition, any increased direct sales efforts to direct shippers and beneficial cargo owners, as well as the potential acquisition of other businesses that may compete more directly with our customers, could adversely affect our expenses, pricing, third-party relationships and revenues, particularly if it affects any of these key customers.

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, compensate, 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.

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 to 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, disasters and pandemics.

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, 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, including severe weather and public health issues, such as pandemics, occurring in the United States or abroad, could result in the temporary lack of an adequate work force and the temporary disruption in the transport of goods to or from overseas which could prevent, delay or reduce freight volumes and could have an adverse impact on consumer spending and confidence levels, all of which could result in decreased revenues.

Labor shortages and increased turnover or increases in employee and employee-related costs could have adverse effects on our profitability.

We have recently experienced labor shortages at some of our locations. A number of factors may adversely affect the labor force available to us, including high employment levels, federal unemployment subsidies, including unemployment benefits offered in response to the COVID-19 pandemic, and other government regulations, which include laws and regulations related to workers' health and safety, wage and hour practices, immigration, and federal vaccine mandates. A labor shortage or increased turnover rates within our employee base could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees and could negatively affect our ability to efficiently operate our business or otherwise operate at full capacity. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation could have a material adverse impact on the company's operations, results of operations, liquidity or cash flows.

Changes to our compensation and benefits could adversely affect our ability to attract and retain qualified employees.

The compensation we offer our employees is subject to market conditions that may require increases in employee compensation, which becomes more likely as economic conditions improve. If we are unable to attract and retain a sufficient number of qualified employees, we could be required to increase our compensation and benefits packages, or reduce our operations and face difficulty meeting customer demands, any of which could adversely affect our financial condition, results of operations, liquidity and cash flows.

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 \$154,717 of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2021. 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 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 exceeds the estimated fair value of the assets.

We also have recorded goodwill of \$266,752 on our consolidated balance sheet at December 31, 2021. 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 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 an effort to reduce costs, we have seen our customers solicit bids from multiple transportation providers and decide to develop or expand internal capabilities for some of the services that we provide.

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. The development of new information technology systems or business models could result in our disintermediation in certain businesses, such as freight brokerage. 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.

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

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

Although our business and operations have returned to pre-COVID levels, the situation surrounding COVID-19 and its variants remains fluid and may be further impacted by the policies of President Biden's administration, the availability and success of the vaccines and vaccination rates and longer-term economic and market impacts including labor shortages and inflation. The extent to which outbreaks of COVID-19 and its variants impacts our business, results of operations and financial condition during the balance of 2022 will depend on future developments, which are highly uncertain and cannot be predicted by, including, but not limited to the duration, spread, severity and impact of the COVID-19 outbreak, including the new variants, the effects of the outbreak on our customers and suppliers and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume.

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

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. Fuel prices have fluctuated dramatically over recent years. Future fluctuations in the availability and price of fuel could adversely affect our results of operations. Fuel availability and prices can be impacted by factors beyond our control, such as natural or man-made disasters, adverse weather conditions, political events, economic sanctions imposed against oil-producing countries or specific industry participants, disruption or failure of technology or information systems, price and supply decisions by oil producing countries and cartels, terrorist activities, armed conflict, tariffs, sanctions, other changes to trade agreements and world supply and demand imbalance. 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 fuel surcharge revenue is the result of our fuel surcharge rates and the tonnage transiting our networks. 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 fuel surcharge revenue. Fuel shortages, changes in fuel prices and the potential volatility in fuel surcharge revenue may adversely impact our results of operations and overall profitability.

Our increased direct sales efforts to direct shippers and beneficial cargo owners could be viewed as a competitive threat by our current domestic forwarder customers.

We are increasing our sales to direct shippers and beneficial cargo owners, which are the primary customers of freight forwarders, 3PLs and other transportation intermediaries. These companies are significant customers of our business in the United States. Our activities related to our increased direct sales efforts to direct shippers and beneficial cargo owners, as well as the potential acquisition of other businesses that compete with our customers, may result in the disruption of our business, which could harm relationships with our current customers, employees or suppliers, and could adversely affect our expenses, pricing, third-party relationships and revenues. Further, a loss of a significant customer could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risks Relating to Information Technology and Systems

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, our customers and third parties increasingly store and transmit data by

means of connected information technology systems. 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. In addition, we could incur software development costs for technology that is ultimately not deployed and thus, would require us to write-off these costs, which would negatively impact our financial results. 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 dependent upon Cloud infrastructure providers, Software as a Service, global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and 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. 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. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Our business is subject to cybersecurity risks.

On December 15, 2020, we detected a Ransomware Incident impacting our operational and information technology systems, which caused service delays for our customers. We incurred unexpected costs and impacts from the Ransomware Incident, and may in the future, incur costs in connection with this Ransomware Incident and any future cybersecurity incidents, including infrastructure investments, remediation efforts and legal claims resulting from the above. For more information regarding this Ransomware Incident, see Item 1, *Business* and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Our operations depend on effective and secure information technology systems. Threats to information technology systems, including as a result of cyber-attacks and cyber incidents, such as the Ransomware Incident on December 15, 2020, continue to grow. Cybersecurity risks could include, but are not limited to, malicious software, attempts to gain unauthorized access to our data and the unauthorized release, corruption or loss of our data and personal information, interruptions in communication, loss of our intellectual property or theft of our sensitive or proprietary technology, loss or damage to our data delivery systems, or other electronic security, including with our property and equipment.

These cybersecurity risks could:

- Disrupt our operations and damage our information technology systems,
- Subject us to various penalties and fees by third parties,
- Negatively impact our ability to compete,
- Enable the theft or misappropriation of funds,
- Cause the loss, corruption or misappropriation of proprietary or confidential information, expose us to litigation and
- Result in injury to our reputation, downtime, loss of revenue, and increased costs to prevent, respond to or mitigate cybersecurity events.

If another cybersecurity event occurs, such as the Ransomware Incident on December 15, 2020, it could harm our business and reputation and could result in a loss of customers. Likewise, data privacy breaches by employees and others who access our systems may pose a risk that sensitive customer or vendor data may be exposed to unauthorized persons or to the public, adversely impacting our customer service, employee relationships and our reputation. Furthermore, any failure to

comply with data privacy, security or other laws and regulations, such as the California Consumer Privacy Act, which took effect in January 2020, could result in claims, legal or regulatory proceedings, inquires or investigations.

While we continue to make efforts to evaluate and improve our systems and particularly the effectiveness of our security program, procedures and systems, it is possible that our business, financial and other systems could be compromised, which could go unnoticed for a prolonged period of time, and there can be no assurance that the actions and controls that we implement, or which we cause third-party service providers to implement, will be sufficient to protect our systems, information or other property. Additionally, customers or third parties upon whom we rely face similar threats, which could directly or indirectly impact our business and operations. The occurrence of a cyber-incident or attack could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Regulatory Environment

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

Under DOT regulations, we are liable for bodily injury and property damage caused by Leased Capacity Providers and employee drivers while they are operating equipment under our various motor carrier authorities. The potential liability associated with any accident can be severe and occurrences are unpredictable.

For vehicle liability, we retain a portion of the risk. Below is a summary of our risk retention on vehicle liability insurance coverage maintained by us through \$10,000 (in thousands):

| | Risk Retention | Frequency | Layer | Policy Term |
|------------------------------------------|-----------------------|------------------------------------|---------------------|------------------------|
| Expedited Freight¹ | | | | |
| LTL business | \$ 3,000 | Occurrence/Accident ² | \$0 to \$3,000 | 10/1/2021 to 10/1/2022 |
| Truckload business | \$ 2,000 | Occurrence/Accident ² | \$0 to \$2,000 | 10/1/2021 to 10/1/2022 |
| LTL business | \$ 6,000 | Policy Term Aggregate ³ | \$3,000 to \$5,000 | 10/1/2021 to 10/1/2022 |
| LTL, Truckload and Intermodal businesses | \$ 2,500 | Policy Term Aggregate ³ | \$5,000 to \$10,000 | 10/1/2021 to 10/1/2022 |
| Intermodal | \$ 1,000 | Occurrence/Accident ² | \$0 to \$1,000 | 10/1/2021 to 10/1/2022 |

¹ Excluding the Final Mile business, which is primarily a brokered service.

² For each and every accident, we are responsible for damages and defense up to these amounts, regardless of the number of claims associated with any accident.

³ During the Policy Term, we are responsible for damages and defense within the stated Layer up to the stated, aggregate amount of Risk Retention before insurance will respond.

Also, from time to time, when brokering freight, we may face claims for the “negligent selection” of outside, contracted carriers that are involved in accidents, and we maintain third-party liability insurance coverage with a \$100 deductible per occurrence for most of our brokered services. Additionally, we maintain workers’ compensation insurance with a self-insured retention of \$500 per occurrence. We cannot guarantee that our self-insurance retention levels will not increase and/or that we may have to agree to more unfavorable policy terms as a result of market conditions, poor claims experience or other factors. 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.

Further, as we focus on growing our final mile solutions business that includes in-home installation of appliances and other over-the-threshold services, we may become increasingly subject to inherent risks associated with delivery and installation of products. These risks include incidents that can cause personal injury or loss of life, damage to or destruction of property, equipment or the environment, or the suspension of our operations.

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." Because of these significant self-insured exposures, insurance and claims expense may fluctuate significantly from period-to-period. Additionally, our ability to obtain and maintain adequate insurance and the cost of such insurance may be affected by significant claims and conditions in the insurance market over which we have no control. In recent years the trucking industry has experienced significant increases in the cost of liability insurance and in the median verdict of trucking accidents. If the cost of insurance increases, we may decide to discontinue certain insurance coverage, reduce our level of coverage or increase our deductibles/retentions to offset the cost increase. In addition, our existing types and levels of insurance coverage could become difficult or impossible to obtain in the future. The occurrence of an event that is not fully covered by insurance, the loss of insurance coverage or a material increase in the cost of insurance could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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. We may fail to establish sufficient insurance reserves and adequately estimate for future insurance claims. 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 failure to comply with various applicable federal and state employment and labor laws and regulations could have a material, adverse impact on our business, financial condition and results of operations.

Various federal and state employment and labor laws and regulations govern our relationships with our employees. These laws and regulations relate to matters such as employment discrimination, wage and hour laws, requirements to provide meal and rest periods or other benefits, family leave mandates, employee and independent contractor classification rules, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules, healthcare laws, scheduling notification requirements and anti-discrimination and anti-harassment laws. While the scope of these laws and regulations are subject to change in all jurisdictions, California routinely makes changes to the scope of such laws and regulations, many of which may be strictly enforced, and some of which have been in the past, and may be in the future, implemented on a retrospective basis (meaning we may not have an opportunity to change our employment practices in advance to avoid non-compliance). Complying with these laws and regulations, including ongoing changes thereto, subjects us to substantial expense and non-compliance could expose us to significant liabilities. In particular, we have been subject to employment litigation with respect to classification and wage and hour issues in the past and have wage and hour litigation currently pending. While we have not incurred material losses with respect to this litigation in the past, we may be subject to material claims in the future.

We operate in a regulated industry, and increased costs of compliance with, or liability for violation of, existing or future regulations and enforcement 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, including the effects of the United States-Mexico-Canada Agreement ("USMCA"), a trade agreement between the United States, Mexico and Canada to replace NAFTA, which took effect on July 1, 2020. There can be no assurance that the ongoing transition from NAFTA to the USMCA will not adversely impact our business or disrupt our operations. 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.

In December 2010, the FMCSA established the CSA motor carrier oversight program under which drivers and fleets are evaluated based on certain safety-related standards. Carriers' safety and fitness ratings under CSA include the on-road safety performance of the carriers' drivers. The FMCSA has also implemented changes to the HOS regulations which govern the work hours of commercial drivers and adopted a rule that requires commercial drivers who use paper log books to maintain hours-of-service records with electronic logging devices ("ELDs") and required commercial drivers who use automatic on-board recording devices ("AOBRDs") to record HOS to use ELDs by December 2019. As of December 2019, our fleets were updated to meet the ELD requirements. At any given time, there are also other proposals for safety-related standards that are pending legislative or administrative approval or adoption. If additional or more stringent standards are adopted, such may result in a reduction of the pool of qualified drivers available to us and to other motor carriers in our industry. If we experience safety and fitness violations, our safety and fitness scores could be adversely impacted, and our fleets could be ranked poorly as

compared to our peers. A reduction in our safety and fitness scores or those of our contracted drivers could also reduce our competitiveness in relation to other companies that have higher scores. Additionally, competition for qualified drivers and motor carriers with favorable safety ratings may increase and thus result in increases in driver-related compensation costs.

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 including legislative and regulatory responses to climate change, 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, discharge and retention of storm water, and emissions from our vehicles. 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. Even without any new legislation or regulation, increased public concern regarding greenhouse gases emitted by transportation carriers could harm the reputations of companies operating in the transportation logistics industries and shift consumer demand toward more locally sourced products and away from our services.

The FMCSA's CSA initiative could adversely impact our ability to hire qualified drivers or contract with qualified Leased Capacity Providers 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 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, Leased Capacity Providers 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 Freight segment. The Columbus, Ohio facility is 125,000 square feet with 168 trailer doors.

We also own facilities near Dallas/Fort Worth, Texas, Chicago, Illinois and Atlanta, Georgia, all of which are used by the Expedited Freight 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. The lease on this facility expires in 2024. We also lease our executive headquarters in Atlanta, Georgia.

We lease and maintain 168 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. In addition, we have operations in 29 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. For more information about our insurance program and legal proceedings, see Item 1A, Risk Factors - "Claims for property damage, personal injuries or workers' compensation and related expenses could significantly reduce our earnings." and "We face risks related to self-insurance and third-party insurance that can be volatile to our earnings.", and "Our failure to comply with various applicable federal and state employment and labor laws and regulations could have a material, adverse impact on our business, financial condition and results of operations.", Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates, and Item 8, Financial Statements and Supplementary Data - Commitments and Contingencies.

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.”

There were approximately 222 shareholders of record of our Common Stock as of January 15, 2022.

Subsequent to December 31, 2021, our Board of Directors declared a cash dividend of \$0.24 per share that will be paid in the first quarter of 2022 to the shareholders on record on March 3, 2022. 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.

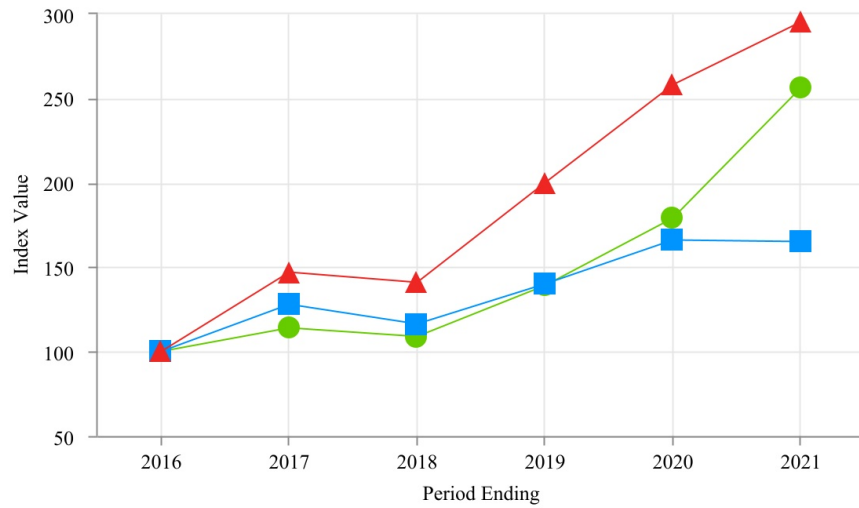
None of our securities were sold during fiscal year 2021 without registration under the Securities Act.

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 2016 and ending on the last trading day of December 2021. The graph assumes a base investment of \$100 made on December 31, 2016 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



● Forward Air Corporation
■ Nasdaq Trucking and Transportation Stocks Index
▲ Nasdaq Global Select Stock Market Index

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------------------|--------|--------|--------|--------|--------|--------|
| Forward Air Corporation | \$ 100 | \$ 114 | \$ 109 | \$ 139 | \$ 179 | \$ 256 |
| Nasdaq Trucking and Transportation Stocks Index | 100 | 128 | 116 | 140 | 166 | 165 |
| Nasdaq Global Select Stock Market Index | 100 | 147 | 141 | 200 | 258 | 295 |

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

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

This section of this Form 10-K generally discusses our results of operations and financial condition for the year ended December 31, 2021. For a discussion of similar topics for the years ended December 31, 2020 and December 31, 2019, please refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K, filed on March 1, 2021, which is incorporated herein by reference.

Overview and Executive Summary

We have two reportable segments: Expedited Freight and Intermodal.

Through the Expedited Freight segment, we operate a comprehensive national network to provide expedited regional, inter-regional and national LTL services. Expedited Freight offers customers local pick-up and delivery and other services including final mile, truckload, shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling. We plan to grow our LTL and final mile geographic footprints through greenfield start-ups as well as acquisitions. During the year ended December 31, 2021, Expedited Freight accounted for 82.6% of our consolidated revenue.

Our Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and container freight station ("CFS") warehouse and handling services. Today, Intermodal operates primarily in the Midwest and Southeast, with smaller operational presence in Southwest and Mid-Atlantic United States. We plan to grow Intermodal's geographic footprint through acquisitions as well as greenfield start-ups where we do not have an acceptable acquisition target. During the year ended December 31, 2021, Intermodal accounted for 17.4% of our consolidated revenue.

Our operations, particularly our network of hubs and terminals, represent substantial fixed costs. Consequently, our ability to increase our earnings depends in significant part on our ability to increase the amount of freight and the revenue per pound for the freight shipped through our networks and to grow other services, such as LTL pickup and delivery, final mile solutions and intermodal services, which will allow us to maintain revenue growth in challenging shipping environments. In addition, we are continuing to execute synergies across our services, particularly with service offerings in the Expedited Freight segment. Synergistic opportunities include the ability to share resources, particularly our fleet resources.

In analyzing the components of our revenue, we monitor changes and trends in our LTL volumes and LTL revenue per hundredweight. While LTL revenue per hundredweight is a yield measurement, it is also a commonly-used indicator for general pricing trends in the LTL industry. This yield metric is not a true measure of price; however, as it can be influenced by many other factors, such as changes in fuel surcharges, weight per shipment and length of haul. As a result, changes in revenue per hundredweight do not necessarily indicate actual changes in underlying base rates. LTL revenue per hundredweight and the key factors that can impact this metric are described in more detail below:

- **LTL Revenue Per Hundredweight** - Our LTL transportation services are generally priced based on weight, commodity, and distance. This measurement reflects the application of our pricing policies to the services we provide, which are influenced by competitive market conditions and our growth objectives. Generally, freight is rated by a class system, which is established by the National Motor Freight Traffic Association, Inc. Light, bulky freight typically has a higher class and is priced at higher revenue per hundredweight than dense, heavy freight. Fuel surcharges and accessorial charges are included in this measurement.
- **LTL Weight Per Shipment** - Fluctuations in weight per shipment can indicate changes in the mix of freight we receive from our customers, as well as changes in the number of units included in a shipment. Generally, increases in weight per shipment indicate higher demand for our customers' products and overall increased economic activity. Changes in weight per shipment can also be influenced by shifts between LTL and other modes of transportation, such as truckload, in response to capacity, service and pricing issues. Fluctuations in weight per shipment generally have an inverse effect on our revenue per hundredweight, as a decrease in weight per shipment will typically cause an increase in revenue per hundredweight.
- **LTL Revenue Per Shipment** - This measurement is primarily determined by the two metrics listed above as well as average length of haul and is used in conjunction with the number of LTL shipments we receive to evaluate LTL revenue.

Our primary revenue focus is to increase density, which is shipment and tonnage growth within our existing network. Increases in density allow us to maximize our asset utilization and labor productivity, which we measure over many different

functional areas of our operations including linehaul load factor, pickup and delivery (“P&D”) stops per hour, P&D shipments per hour, door pounds handled per hour and door shipments per hour. In addition to our focus on density and operating efficiencies, it is critical for us to obtain an appropriate yield, which is measured as revenue per hundredweight, on the shipments we handle to offset our cost inflation and support our ongoing investments in capacity and technology. We regularly monitor the components of our pricing, including base freight rates, accessorial charges and fuel surcharges. The fuel surcharge is generally designed to offset fluctuations in the cost of our petroleum-based products and is indexed to diesel fuel prices published by the U.S.

Trends and Developments

Intermodal Acquisitions

As part of the inorganic growth strategy, in February 2021, we acquired certain assets and liabilities of Proficient Transport Incorporated and Proficient Trucking, Inc. (together “Proficient Transport”) for \$16,339 and a potential earn-out up to \$2,000. The estimated fair value of the earn-out liability on the date of acquisition was \$829. The fair value was based on the estimated one-year performance of the acquired customer revenue and was calculated using the option pricing method. Proficient Transport is an intermodal drayage company headquartered in Chicago, Illinois. The acquisition of Proficient Transport will expand our intermodal footprint in Georgia, Illinois, North Carolina, and Texas, and will introduce a new location in Ohio. The acquisition was funded using cash flows from operations. The results of Proficient Transport have been included in our consolidated financial statements as of and from the date of acquisition.

In November 2021, we acquired certain assets and liabilities of BarOle Trucking, Inc. (“BarOle”) for \$35,436. BarOle is an intermodal drayage company headquartered in Roseville, Minnesota. The acquisition of BarOle provides additional capacity and resources to meet customer demands in the intermodal market, and extends the service footprint to the Minneapolis-Saint Paul, Minnesota area. In addition, BarOle has a larger terminal location, which allows for further expansion in the future. The acquisition was financed by cash flows from operations. The results of BarOle have been included in our consolidated financial statements as of and from the date of acquisition.

Expedited Freight Acquisition

As part of the inorganic growth strategy, in May 2021, we acquired certain assets and liabilities of J&P Hall Express Delivery (“J&P”) for \$7,670. J&P is headquartered in Atlanta, Georgia with a second terminal in Albany, Georgia. The acquisition of J&P supports our strategic growth plan by expanding pickup and delivery, less-than-truckload, truckload, less than container load, container freight station warehousing, and airport transfer services across the Southeastern United States. The acquisition was funded using cash flow from operations. The results of J&P have been included in our consolidated financial statements as of and from the date of acquisition.

See Note 3, *Acquisitions*, to our Consolidated Financial Statements for more information about our acquisitions.

Sale of Pool

On February 12, 2021, we sold Pool for an \$8,000 cash payment and up to a \$12,000 earn-out based on 2021 earnings before interest, taxes, depreciation and amortization attainment, beginning February 1, 2021. The estimated fair value of the earn-out on the date of sale was \$6,967, and was calculated based on the estimated performance of Pool using a Monte Carlo simulation model. A loss on the sale of Pool in the amount of \$2,860 was recorded in 2021 in discontinued operation.

The financial performance of the Pool business significantly deteriorated during third quarter of 2021. As a result, an evaluation of the earn-out asset for impairment was completed, which included a review of the revised forecasts. The revised forecasts indicated an impairment of the entire earn-out asset was necessary. In 2021, a non-cash charge of \$6,967 was recorded as an “Impairment charge” in discontinued operation.

COVID-19

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

Although our business and operations have returned to pre-COVID levels, the situation surrounding COVID-19 and its variants remains fluid and may be further impacted by the policies of President Biden's administration, the availability and success of a vaccine and vaccination rates. The extent to which outbreaks of COVID-19 and its variants impacts our business, results of operations and financial condition during 2022 will depend on future developments, which are highly uncertain and cannot be predicted by, including, but not limited to the duration, spread, severity and impact of the COVID-19 outbreak, including the new variants, the effects of the outbreak on our customers and suppliers and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume.

Like many other businesses affected by current macroeconomic conditions, we are experiencing a labor shortage relating to our employee drivers, terminal and dock workers and otherwise throughout our business and operations. We are also operating in an environment where competition is intense for independent fleet owner-operators, creating shortages in the marketplace. These factors have adversely affected our operations, by increasing our operational costs for labor and purchased transportation. The steps we have taken to address these shortages include paying sign-on bonuses, and offering enhanced wages in select competitive markets. These measures have increased costs in certain areas of our business. We will continue to mitigate the effects of the labor shortages and other inflationary conditions through similar actions.

In addition, although we believe we have sufficient capital and liquidity to manage our business over the short- and long-term, our liquidity may be materially affected if conditions in the credit and financial markets deteriorate as a result of COVID-19 including failure by us or our customers to secure any necessary financing in a timely manner.

Results from Operations

The following table sets forth our consolidated financial data for the years ended December 31, 2021 and 2020 (in thousands):

| | Year Ended | | | |
|-------------------------------------------------------|-------------------|-------------------|------------|----------------|
| | December 31, 2021 | December 31, 2020 | Change | Percent Change |
| Operating revenue: | | | | |
| Expedited Freight | \$ 1,374,270 | \$ 1,072,301 | \$ 301,969 | 28.2 % |
| Intermodal | \$ 289,214 | \$ 199,603 | \$ 89,611 | 44.9 |
| Eliminations and other operations | \$ (1,057) | \$ (2,331) | \$ 1,274 | 54.7 |
| Operating revenue | \$ 1,662,427 | \$ 1,269,573 | \$ 392,854 | 30.9 |
| Operating expenses: | | | | |
| Purchased transportation | \$ 833,075 | \$ 650,664 | \$ 182,411 | 28.0 |
| Salaries, wages, and employee benefits | \$ 327,814 | \$ 270,785 | \$ 57,029 | 21.1 |
| Operating leases | \$ 79,633 | \$ 69,720 | \$ 9,913 | 14.2 |
| Depreciation and amortization | \$ 39,552 | \$ 37,125 | \$ 2,427 | 6.5 |
| Insurance and claims | \$ 42,186 | \$ 34,912 | \$ 7,274 | 20.8 |
| Fuel expense | \$ 17,027 | \$ 12,166 | \$ 4,861 | 40.0 |
| Other operating expenses | \$ 163,839 | \$ 120,277 | \$ 43,562 | 36.2 |
| Total operating expenses | \$ 1,503,126 | \$ 1,195,649 | \$ 307,477 | 25.7 |
| Income (loss) from continuing operations: | | | | |
| Expedited Freight | \$ 139,321 | \$ 71,266 | \$ 68,055 | 95.5 |
| Intermodal | \$ 30,117 | \$ 16,391 | \$ 13,726 | 83.7 |
| Other operations | \$ (10,137) | \$ (13,733) | \$ 3,596 | 26.2 |
| Income from continuing operations | \$ 159,301 | \$ 73,924 | \$ 85,377 | 115.5 |
| Other expense: | | | | |
| Interest expense, net | \$ (4,338) | \$ (4,561) | \$ 223 | 4.9 |
| Other, net | \$ — | \$ (3) | \$ 3 | 100.0 |
| Total other expense | \$ (4,338) | \$ (4,564) | \$ 226 | (5.0) |
| Income from continuing operations before income taxes | \$ 154,963 | \$ 69,360 | \$ 85,603 | 123.4 |
| Income tax expense | \$ 38,872 | \$ 16,593 | \$ 22,279 | 134.3 |
| Net income from continuing operations | \$ 116,091 | \$ 52,767 | \$ 63,324 | 120.0 |
| Loss from discontinued operation, net of tax | \$ (10,232) | \$ (29,034) | \$ 18,802 | (64.8) |
| Net income and comprehensive income | \$ 105,859 | \$ 23,733 | \$ 82,126 | 346.0 % |

Revenues

Operating revenues increased \$392,854, or 30.9% to \$1,662,427 for the year ended December 31, 2021 compared to \$1,269,573 for the year ended December 31, 2020. The revenue increase was primarily driven by increased revenue from our Expedited Freight segment of \$301,969 due to increased Network, Truckload and Final Mile revenue.

Operating Expenses

Operating expenses increased \$307,477 primarily driven by an increase in purchased transportation of \$182,411, other operating expenses of \$43,562 and salaries, wages and employee benefits of \$57,029. Purchased transportation includes Leased Capacity Providers and third-party carriers, while Company-employed drivers are included in salaries, wages and employee benefits. Purchased transportation expense increased due to the utilization of more third-party carriers as it relates to the Expedited Freight segment. Other operating expenses increased primarily due to an increase in rail storage expenses, demurrage fees and professional fees. Salaries, wages and employee benefits increased primarily due the additional employees hired in response to the increase in volumes in 2021, increased reserve for incentive compensation and higher group health insurance premiums.

Income from Continuing Operations and Segment Operations

Income from continuing operations increased \$85,377, or 115.5%, from the year ended December 31, 2020 to \$159,301 for the year ended December 31, 2021. The increase was primarily driven by Expedited Freight segment and Intermodal segment of \$68,055 and \$13,726, respectively. The results for our two reportable segments are discussed in detail in the following sections.

Interest Expense, net

Interest expense, net was \$4,338 for the year ended December 31, 2021 compared to \$4,561 for the same period in 2020. The decrease in interest expense, net was primarily driven by a lower interest rate during the year ended December 31, 2021, partially offset by additional borrowings in 2021 under our revolving credit facility. The interest rate on outstanding borrowings under our revolving credit facility was 1.43% and 3.25% as of December 31, 2021 and 2020, respectively.

Income Taxes on a Continuing Basis

The combined federal and state effective tax rate for the year ended December 31, 2021 was 25.1% compared to a rate of 23.9% for the same period in 2020. The higher effective tax rate for the year ended December 31, 2021 was primarily due a return to provision expense adjustment recorded in 2021 compared to a return to provision benefit adjustment recorded in 2020, partially offset by increased excess tax benefits realized on share-based awards in 2021 compared to the same period in 2020. During the year ended December 31, 2020, a refund for Tennessee tax credits was received. A similar refund was not received during the year ended December 31, 2021.

Loss from Discontinued Operation, net of tax

Loss from discontinued operation, net of tax decreased \$18,802 to a \$10,232 loss for the year ended December 31, 2021 from \$29,034 loss for the year ended December 31, 2020. Loss from discontinued operation includes our Pool business and, as discussed above, the Pool business was sold on February 12, 2021. An evaluation of the earn-out asset indicated an impairment was necessary and as a result, for the year ended December 31, 2021, a non-cash impairment charge was recorded. For the year ended December 31, 2020, our Pool business was adversely impacted by COVID-19 as many of our customers were affected by retail mall closure in response to stay-at-home orders beginning in March 2020. In addition, during 2020, a non-cash impairment charge of \$28,384 was recorded to reflect the net assets held for sale at fair value less costs to sell.

Net Income

As a result of the foregoing factors, net income increased by \$82,126, or 346.0%, to \$105,859 for the year ended December 31, 2021 compared to \$23,733 for the same period in 2020.

Expedited Freight - Year Ended December 31, 2021 compared to Year Ended December 31, 2020

The following table sets forth our financial data of the Expedited Freight segment for the years ended December 31, 2021 and 2020 (unaudited and in thousands):

| | Year Ended | | | | | |
|---------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------|-----------------------|
| | December 31, 2021 | Percent of Revenue | December 31, 2020 | Percent of Revenue | Change | Percent Change |
| Operating revenue: | | | | | | |
| Network ¹ | \$ 840,429 | 61.3 % | \$ 625,517 | 58.3 % | \$ 215 | 34.4 % |
| Truckload | \$ 223,026 | 16.2 | \$ 194,058 | 18.1 | \$ 29 | 14.9 |
| Final Mile | \$ 275,201 | 20.0 | \$ 224,475 | 20.9 | \$ 51 | 22.6 |
| Other | \$ 35,614 | 2.6 | \$ 28,251 | 2.6 | \$ 7 | 26.1 |
| Total operating revenue | \$ 1,374,270 | 100.0 | \$ 1,072,301 | 100.0 | \$ 302 | 28.2 |
| Operating expenses: | | | | | | |
| Purchased transportation | \$ 743,418 | 54.2 | \$ 583,552 | 54.4 | \$ 160 | 27.4 |
| Salaries, wages and employee benefits | \$ 261,405 | 19.0 | \$ 218,421 | 20.4 | \$ 43 | 19.7 |
| Operating leases | \$ 57,309 | 4.2 | \$ 53,680 | 5.0 | \$ 4 | 6.8 |
| Depreciation and amortization | \$ 28,842 | 2.1 | \$ 27,003 | 2.5 | \$ 2 | 6.8 |
| Insurance and claims | \$ 32,243 | 2.3 | \$ 24,021 | 2.2 | \$ 8 | 34.2 |
| Fuel expense | \$ 8,752 | 0.6 | \$ 6,793 | 0.6 | \$ 2 | 28.8 |
| Other operating expenses | \$ 102,980 | 7.5 | \$ 87,565 | 8.2 | \$ 15 | 17.6 |
| Total operating expenses | \$ 1,234,949 | 89.9 | \$ 1,001,035 | 93.4 | \$ 234 | 23.4 |
| Income from operations | \$ 139,321 | 10.1 % | \$ 71,266 | 6.6 % | \$ 68 | 95.5 % |

¹ Network revenue is comprised of all revenue, including linehaul, pickup and/or delivery, and fuel surcharge revenue, excluding accessorial, Truckload and Final Mile revenue.

| |
|-----------------------------------------------|
| Expedited Freight Operating Statistics |
|-----------------------------------------------|

| | Year Ended | | Percent Change |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|----------------|
| | December 31, 2021 | December 31, 2020 | |
| Business days | 254 | 256 | (0.8)% |
| Tonnage^{1,2} | | | |
| Total pounds | 2,812,071 | 2,369,551 | 18.7 |
| Pounds per day | 11,071 | 9,256 | 19.6 |
| Shipments^{1,2} | | | |
| Total shipments | 3,856 | 3,918 | (1.6) |
| Shipments per day | 15.2 | 15.3 | (0.7) |
| Weight per shipment | 729 | 605 | 20.5 |
| Revenue per hundredweight ³ | \$ 28.90 | \$ 26.75 | 8.0 |
| Revenue per hundredweight, excluding fuel ³ | \$ 24.69 | \$ 23.21 | 6.4 |
| Revenue per shipment ³ | \$ 213 | \$ 160 | 33.5 |
| Revenue per shipment, excluding fuel ³ | \$ 182 | \$ 138 | 32.0 |
| Network revenue from door-to-door shipments as a percentage of network revenue ^{3,4} | 47.8 % | 48.0 % | (0.4) |

¹ In thousands

² Excludes accessorial, full Truckload and Final Mile products

³ Includes intercompany revenue between the Network and Truckload revenue streams

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

Revenues

Expedited Freight operating revenue increased \$301,969, or 28.2%, to \$1,374,270 for the year ended December 31, 2021 from \$1,072,301 for the same period of 2020. The increase was driven by increased Network, Truckload and Final Mile revenue. Network revenue increased due to a 18.7% increase in tonnage and a 8.0% increase in revenue per hundredweight partially offset by a 1.6% decrease in shipments as compared to the prior year. The increase in tonnage was primarily driven by the economic recovery from COVID-19, which adversely impacted the results of operations in 2020. Strategic pricing initiatives and freight rationalization actions contributed to the increase in the revenue per hundredweight. Fuel surcharge revenue increased \$53,860, or 64.2% as a result of the rise in fuel prices and increased tonnage. Truckload revenue increased \$28,968 primarily driven by the economic recovery from COVID-19, which adversely impacted the results of operations for 2020. Final Mile revenue increased \$50,726 due to the combination of organic growth and the acquisition of CLW in October 2020. Other revenue, which includes warehousing and terminal handling, increased \$7,363 due to the higher linehaul tonnage.

Purchased Transportation

Expedited Freight purchased transportation increased by \$159,866, or 27.4%, to \$743,418 for the year ended December 31, 2021 from \$583,552 for the same period of 2020. As a percentage of segment operating revenue, Expedited Freight purchased transportation was 54.2% during the year ended December 31, 2021 compared to 54.4% for the same period of 2020. Expedited Freight purchased transportation includes Leased Capacity Providers and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in purchased transportation as a percentage of segment operating revenue was primarily due to the change in the mix of freight capacity purchased from Leased Capacity Providers, third party carriers and Company-employed drivers for Network and Truckload services. For the year ended December 31, 2021, 62.3%, 34.0% and 3.7% of our freight capacity was filled by Leased Capacity Providers, third party carriers and Company-employed drivers, respectively. This compares to 68.0%, 27.7% and 4.3% in the same period in 2020.

Salaries, Wages, and Benefits

Expedited Freight salaries, wages and employee benefits increased by \$42,984, or 19.7%, to \$261,405 for the year ended December 31, 2021 from \$218,421 for the same period of 2020. Salaries, wages and employee benefits were 19.0% of Expedited Freight's operating revenue for the year ended December 31, 2021 compared to 20.4% for the same period of 2020. The increase in salaries, wages and employee benefits expense was primarily due to the additional employees hired in response to the increase in tonnage in 2021, increased reserve for incentive compensation and higher group health insurance premiums. Cost-control measures implemented in the prior year contributed to the decrease in salaries, wages and employee benefits expense as a percentage of operating revenues.

Operating Leases

Expedited Freight operating leases increased \$3,629, or 6.8%, to \$57,309 for the year ended December 31, 2021 from \$53,680 for the same period of 2020. Operating leases were 4.2% of Expedited Freight's operating revenue for the year ended December 31, 2021 compared to 5.0% for the same period of 2020. The increase in operating leases expense was primarily due to higher facility expense in 2021, partially due to facility leases assumed in connection with the CLW and J&P acquisitions.

Depreciation and Amortization

Expedited Freight depreciation and amortization increased \$1,839, or 6.8%, to \$28,842 for the year ended December 31, 2021 from \$27,003 for the same period of 2020. Depreciation and amortization expense as a percentage of Expedited Freight operating revenue was 2.1% in the year ended December 31, 2021 compared to 2.5% for the same period of 2020. The increase in depreciation and amortization expense was primarily due to an increase in equipment depreciation and additional amortization expense resulting from intangible assets recorded in connection with the CLW and J&P acquisitions.

Insurance and Claims

Expedited Freight insurance and claims expense increased \$8,222, or 34.2%, to \$32,243 for the year ended December 31, 2021 from \$24,021 for the same period of 2020. Insurance and claims as a percentage of Expedited Freight's operating revenue was 2.3% for the year ended December 31, 2021 compared to 2.2% for the same period of 2020. The increase in expense was primarily due to an increase in vehicle insurance premiums, and additional vehicle liability and cargo claims. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other Operations" section below.

Fuel Expense

Expedited Freight fuel expense increased \$1,959, or 28.8%, to \$8,752 for the year ended December 31, 2021 from \$6,793 for the same period of 2020. Fuel expense was 0.6% of Expedited Freight's operating revenue for the year ended December 31, 2021 compared to 0.6% for the same period of 2020. Expedited Freight fuel expense increased due to the rise in the average price of fuel in 2021.

Other Operating Expenses

Expedited Freight other operating expenses increased \$15,415, or 17.6%, to \$102,980 for the year ended December 31, 2021 from \$87,565 for the same period of 2020. Expedited Freight other operating expenses were 7.5% of operating revenue for the year ended December 31, 2021 compared to 8.2% for the same period of 2020. Other operating expenses include equipment maintenance, facility expenses, legal and professional fees and other over-the-road costs. The increase in other operating expenses was driven by an increase in equipment maintenance costs, terminal and office expenses, legal and professional fees, other over-the-road costs and parts for final mile installations.

Income from Operations

Expedited Freight income from operations increased by \$68,055, or 95.5%, to \$139,321 for the year ended December 31, 2021 compared to \$71,266 for the same period of 2020. Expedited Freight's income from operations was 10.1% of operating revenue for the year ended December 31, 2021 compared to 6.6% for the same period of 2020. The increase in income from operations as a percentage of operating revenues was driven by increased revenue per hundredweight combined with cost-control measures and operational efficiencies, partially offset by the change in mix of freight capacity purchased from Leased Capacity Providers, third party carriers and Company-employed drivers.

Intermodal - Year Ended December 31, 2021 compared to Year Ended December 31, 2020

The following table sets forth our financial data of the Intermodal segment for the years ended December 31, 2021 and 2020 (unaudited and in thousands):

| | Year Ended | | | | | |
|---------------------------------------|-------------------|--------------------|-------------------|--------------------|-----------|----------------|
| | December 31, 2021 | Percent of Revenue | December 31, 2020 | Percent of Revenue | Change | Percent Change |
| Operating revenue | \$ 289,214 | 100.0 % | \$ 199,603 | 100.0 % | \$ 89,611 | 44.9 % |
| Operating expenses: | | | | | | |
| Purchased transportation | \$ 90,575 | 31.2 | \$ 68,705 | 34.4 | \$ 21,870 | 31.8 |
| Salaries, wages and employee benefits | \$ 65,599 | 22.7 | \$ 48,698 | 24.4 | \$ 16,901 | 34.7 |
| Operating leases | \$ 22,218 | 7.7 | \$ 16,325 | 8.2 | \$ 5,893 | 36.1 |
| Depreciation and amortization | \$ 10,647 | 3.7 | \$ 9,977 | 5.0 | \$ 670 | 6.7 |
| Insurance and claims | \$ 9,850 | 3.4 | \$ 7,872 | 3.9 | \$ 1,978 | 25.1 |
| Fuel expense | \$ 8,275 | 2.9 | \$ 5,373 | 2.7 | \$ 2,902 | 54.0 |
| Other operating expenses | \$ 51,933 | 18.0 | \$ 26,262 | 13.2 | \$ 25,671 | 97.7 |
| Total operating expenses | \$ 259,097 | 89.6 | \$ 183,212 | 91.8 | \$ 75,885 | 41.4 |
| Income from operations | \$ 30,117 | 10.4 % | \$ 16,391 | 8.2 % | \$ 13,726 | 83.7 % |

| |
|----------------------------------------|
| Intermodal Operating Statistics |
|----------------------------------------|

| | Year Ended | | |
|------------------------------|-------------------|-------------------|----------------|
| | December 31, 2021 | December 31, 2020 | Percent Change |
| Drayage shipments | 369,601 | 301,454 | 22.6 % |
| Drayage revenue per shipment | \$ 667 | \$ 563 | 18.5 % |
| Number of locations | 29 | 24 | 20.8 % |

Revenues

Intermodal operating revenue increased \$89,611, or 44.9%, to \$289,214 for the year ended December 31, 2021 from \$199,603 for the same period of 2020. The increase in operating revenues was primarily attributable to a 22.6% increase in drayage shipments over the same period in 2020 and an increase in accessorial revenues. The increase in drayage shipments was driven by the combination of the economic recovery from COVID-19, which adversely impacted the results of operations for the year ended December 31, 2020, and the Proficient Transport acquisition in February 2021.

Purchased Transportation

Intermodal purchased transportation increased \$21,870, or 31.8%, to \$90,575 for the year ended December 31, 2021 from \$68,705 for the same period of 2020. Intermodal purchased transportation as a percentage of revenue was 31.2% for the year ended December 31, 2021 compared to 34.4% for the year ended December 31, 2020. Intermodal purchased transportation includes Leased Capacity Providers and third party carriers, while Company-employed drivers are included in salaries, wages and employee benefits. The decrease in purchased transportation as a percentage of revenues was primarily due to the change in the mix of freight capacity purchased from Leased Capacity Providers, third party carriers and Company-employed drivers.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased \$16,901, or 34.7%, to \$65,599 for the year ended December 31, 2021 from \$48,698 for the same period of 2020. Salaries, wages and employee benefits were 22.7% of Intermodal operating revenues for the year ended December 31, 2021 compared to 24.4% for the same period of 2020. The increase in salaries, wages and employee benefits expense was primarily due to the additional employees hired in response to the increase in drayage shipments for the year ended December 31, 2021, an increased reserve for incentive compensation and higher group health insurance premiums. Cost-control measures implemented in the prior year contributed to the decrease in salaries, wages and employee benefits expense as a percentage of operating revenues.

Operating Leases

Intermodal operating leases increased \$5,893, or 36.1% to \$22,218 for the year ended December 31, 2021 from \$16,325 for the same period of 2020. Operating leases were 7.7% of Intermodal operating revenue for the year ended December 31, 2021 compared to 8.2% in the same period of 2020. The increase in operating leases expense was primarily due to new equipment and property leases in 2021.

Depreciation and Amortization

Intermodal depreciation and amortization increased \$670, or 6.7%, to \$10,647 for the year ended December 31, 2021 from \$9,977 for the same period of 2020. Intermodal depreciation and amortization expense as a percentage of Intermodal operating revenue was 3.7% for the year ended December 31, 2021 compared to 5.0% for the same period of 2020. The increase in depreciation and amortization expense was primarily due to amortization expense resulting from intangible assets recorded in connection with the Proficient Transport acquisition, partially offset by a decrease in equipment depreciation.

Insurance and Claims

Intermodal insurance and claims expense increased \$1,978, or 25.1%, to \$9,850 for the year ended December 31, 2021 from \$7,872 for the same period of 2020. Intermodal insurance and claims were 3.4% of operating revenue for the year ended December 31, 2021 compared to 3.9% for the same period of 2020. The increase in Intermodal insurance and claims was primarily due to an increase in vehicle insurance premiums. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

Fuel Expense

Intermodal fuel expense increased \$2,902, or 54.0%, to \$8,275 for the year ended December 31, 2021 from \$5,373 for the same period of 2020. Fuel expenses were 2.9% of Intermodal operating revenue for the year ended December 31, 2021 compared to 2.7% for the same period of 2020. Intermodal fuel expense increased due to the rise in the average price of fuel in 2021.

Other Operating Expenses

Intermodal other operating expenses increased \$25,671, or 97.7%, to \$51,933 for the year ended December 31, 2021 from \$26,262 for the same period of 2020. Intermodal other operating expenses as a percentage of revenue for the year ended December 31, 2021 were 18.0% compared to 13.2% for the same period of 2020. The increase in Intermodal other operating expenses was driven by additional expenses incurred to support the increased accessorial revenues noted above, increase in bad debt expense and higher equipment maintenance costs.

Income from Operations

Intermodal's income from operations increased by \$13,726, or 83.7%, to \$30,117 for the year ended December 31, 2021 compared to \$16,391 for the same period in 2020. Income from operations as a percentage of Intermodal operating revenue was 10.4% for the year ended December 31, 2021 compared to 8.2% in the same period of 2020. The increase in income from operations as a percentage of operating revenues was due to increase in drayage revenue per shipment combined with cost-control measures and operational efficiencies, partially offset by the change in mix of freight capacity purchased from Leased Capacity Providers, third party carriers and Company-employed drivers.

Other operations - Year Ended December 31, 2021 compared to Year Ended December 31, 2020

Other operating activity was a \$10,137 operating loss for the year ended December 31, 2021 compared to \$13,733 for the same period in 2020. The change in the operating loss was driven by increased professional fees related to cybersecurity and shareholder engagement activities and an increased reserve for an incentive program established for employees in 2021, partially offset by decreased self-insurance reserves for vehicle liability, workers' compensation and group health insurance claims. The decrease in self-insurance reserves for vehicle liability and workers' compensation claims was due to the favorable loss development factor of historical claims attributable to the safety measures in place. For the year ended December 31, 2020, severance costs in the amount of \$997 were recorded in accordance with severance agreements for former employees and a reserve in the amount of \$2,300 was recorded for a litigated contract dispute. Similar costs were not recorded for the year ended December 31, 2021.

Critical Accounting Policies and Estimates

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 management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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. The significant accounting policies followed in the preparation of the financial statements are detailed in Note 1 of our Consolidated Financial Statements included in this Form 10-K.

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. We believe that our application of the policies discussed below involves significant levels of judgment, estimates and complexity. Due to the levels of judgment, complexity and period of time over which many of these items are resolved, actual results could differ from those estimated at the time of preparation of the financial statements. Adjustments to these estimates would impact our financial position and future results of operations.

Self-Insurance Loss Reserves

We provide for the estimated costs of vehicle liability and workers' compensation claims both reported and for claims incurred but not reported. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that requires us to make significant judgments and use information obtained from both our-specific and industry data, as well as general economic information. We estimate our self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims and through actuarial analysis to determine an estimate of probable losses on claims incurred but not reported. If the events underlying the claims have occurred as of the balance sheet date, then losses are recognized immediately. Historically, we have experienced both favorable and unfavorable development of claim estimates.

The estimation process for self-insurance loss exposure requires management to make significant judgments and continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and our assumptions about the emerging trends, management develops an estimate 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 quarterly actuarial analyses to evaluate open claims and estimate the ongoing development exposure. The actual cost to settle our self-funded claim liabilities can differ from our reserve estimates because of a number of uncertainties, including the inherent difficulty in estimating the severity of a claim and the potential amount to defend and settle a claim.

As of December 31, 2021 and 2020, we recorded insurance reserves of \$65,649 and \$68,647, respectively, inclusive of reserves in excess of the self-insured retention limit that are expected to be reimbursed from insurance carriers. Additionally, we recognized a receivable for insurance proceeds and a corresponding claims payable for vehicle liability and workers' compensation claims in excess of the self-insured retention limit in the amount of \$28,667 and \$35,088 as of December 31, 2021 and 2020, respectively.

Business Combinations and Goodwill

Acquisitions are accounted for using the purchase method. Upon the acquisition of a business, the fair value of the assets acquired and liabilities assumed must be estimated. This requires judgments regarding the identification of acquired assets and liabilities assumed, some of which may not have been previously recorded by the acquired business, as well as judgments regarding the valuation of all identified acquired assets and assumed liabilities. The assets acquired and liabilities assumed are determined by reviewing the operations, interviewing management and reviewing the financial and contractual information of the acquired business. Consideration is typically paid in the form of cash paid upon closing or contingent consideration paid upon satisfaction of a future obligation. If contingent consideration is included in the purchase price, we value that consideration as of the acquisition date and it is recorded to goodwill.

Once the acquired assets and assumed liabilities are identified, the fair value of the assets and liabilities are estimated using a variety of approaches that require significant judgments. For example, intangible assets are typically valued using a discounted cash flow (“DCF”) analysis, which requires estimates of the future cash flows that are attributable to the intangible asset. A DCF analysis also requires significant judgments regarding the selection of discount rates that are intended to reflect the risks that are inherent in the projected cash flows, the determination of terminal growth rates, and judgments about the useful life and pattern of use of the underlying intangible asset. The valuation of acquired property, plant and equipment requires judgments about current market values, replacement costs, the physical and functional obsolescence of the assets and their remaining useful lives. A failure to appropriately assign a fair value to acquired assets and assumed liabilities could significantly impact the amount and timing of future depreciation and amortization expense, as well as significantly overstate or understate assets or liabilities.

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 rather we conduct an annual, or more frequently if circumstances indicate possible impairment, impairment test of goodwill for each reporting unit at June 30 of each year. Examples of such events or circumstances could include a significant change in business climate or a loss of significant customers. Intangible assets are amortized over their useful lives.

Liquidity and Capital Resources

We have historically financed our working capital needs, including capital expenditures, with available cash, cash flows from operations and borrowings under our credit facility. We believe that borrowings under our credit facility, together with available cash and internally generated funds, will be sufficient to support our working capital, capital expenditures and debt service requirements for the foreseeable future. During 2021, we deferred a portion of our equipment purchases in order to increase our available cash in response to the disruption and uncertainty resulting from the COVID-19 pandemic. We also frequently utilize operating leases to acquire revenue equipment. In 2021, we completed multiple business acquisitions. See Note 3, *Acquisitions*, in the Notes to Consolidated Financial Statements for further discussion on this topic. We used existing cash and credit facility to finance these transactions and to provide any necessary liquidity for current and future operations.

To further support liquidity and capital resources, in July 2021, we entered into a second amendment to our credit facility, which extended the maturity date to July 20, 2026 and changed the interest rate options available. In connection with the second amendment, we have replaced the London Interbank Offered Rate with the Bloomberg Short-Term Bank Yield Index rate as the reference rate in our credit facility to calculate interest due to our lender. In December 2021, we entered into a third amendment to our credit facility, which increased the amount available for borrowing to \$450,000, consisting of a \$300,000 revolving line of credit and a term loan of \$150,000. The amendment resets the \$75,000 limit on incremental loan facilities that may be incurred under the credit facility and establishes annual mandatory repayment of the principal amount of the term loan at: 1.0% per annum in 2022 and 2023; 2.5% per annum in 2024 and 2025; 5.0% per annum in 2026; with the remaining unpaid principal being due on July 20, 2026.

As of December 31, 2021, we were in compliance with our financial covenants contained in the credit facility and expect to maintain such compliance. In the event that we encounter difficulties, our historical relationships with our lenders has been strong and we anticipate their continued long-term support of our business. Refer to Note 4, *Indebtedness*, to our Consolidated Financial Statements for additional information regarding our credit facility.

Cash Flows

Year Ended December 31, 2021 Cash Flows compared to December 31, 2020 Cash Flows

Continuing Operations

Net cash provided by operating activities of continuing operations was \$124,896 for the year ended December 31, 2021 compared to \$96,105 for the year ended December 31, 2020. The increase in net cash provided by operating activities of continuing operations was primarily due to the increase in net income from continuing operations, partially offset by an increase in accounts receivable and other receivable balances. The accounts receivable balance changed due to the increase in operating revenues in 2021. The other receivables balance changed as a result of the Transition Services Agreement entered into with the buyer of the Pool business. Under the Transition Services Agreement, we remitted payments to outside vendors on behalf of the buyer for expenses incurred by the Pool business, up to a limit of \$18,000, and we are reimbursed by the buyer within 60 days from the end of the month in which the payment is remitted.

Net cash used in investing activities of continuing operations was \$96,332 for the year ended December 31, 2021 compared to \$81,506 during the year ended December 31, 2020. Capital expenditures for 2021 were \$39,109, which primarily related to an organic investment to expand the capacity of our national hub in Columbus, Ohio and the purchase of new trailers. Capital expenditures for 2020 were \$20,268, which primarily related to the organic investment to expand the capacity of our national hub in Columbus, Ohio. Continuing investing activities for 2021 included the acquisition of Proficient Transport for \$16,339, J&P for \$7,669 and BarOle for \$35,436 while continuing investing activities for 2020 included the acquisition of Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC for \$55,931 and CLW Delivery, Inc. for \$5,500.

Net cash used in financing activities of continuing operations was \$31,502 for the year ended December 31, 2021 compared to \$39,094 for the year ended December 31, 2020. The change in the net cash used in financing activities of continuing operations was primarily due to increased contributions from a subsidiary held for sale, partially offset by increased payment of dividends and increased repurchases and retirement of common stock.

Discontinued Operation

Net cash used in discontinued operating activities was \$4,635 for the year ended December 31, 2021 compared to \$11,439 for the year ended December 31, 2020. The change in net cash provided by discontinued operating activities was primarily related to a decrease in discontinued net income after consideration of non-cash items.

Net cash provided by discontinued investing activities was \$8,020 for the year ended December 31, 2021 compared to net cash used in discontinued investing activities was \$1,201 during the year ended December 31, 2020. The change in net cash provided by discontinued investing activities was due to the proceeds received from the sale of the Pool business in 2021.

Net cash used in discontinued financing activities was \$3,385 for the year ended December 31, 2021 compared to net cash provided by discontinued financing activities was \$12,640 for the year ended December 31, 2020. The change in net cash used in discontinued financing activities was due to decreased contributions from the parent.

Share Repurchase Program

During the year ended December 31, 2021 and 2020, we repurchased 535 and 787 shares of our common stock, respectively, for approximately \$48,989 and \$45,248, respectively, through open market transactions. All shares received were retired upon receipt, and the excess of the purchase price over par value per share was recorded to "Retained Earnings" in our Consolidated Balance Sheets.

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 expense is, in part, sensitive to the general level of interest rates. Borrowings outstanding under our senior unsecured credit facility was approximately \$157,500 at December 31, 2021 and bears interest at variable rates. A hypothetical increase in our credit facility borrowing rate of 150 basis points would increase our annual interest expense by approximately \$1,700 and would have decreased our annual cash flow from operations by approximately \$1,700.

Our only other debt are finance lease obligations totaling \$14,159. These lease obligations bear interest at a fixed rate. Accordingly, there is no exposure to market risk related to these finance lease obligations.

We are exposed to the effects of changes in the price and availability of fuel, as more fully discussed in Item 1A, “Risk Factors” - under the title “*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.*”

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, 2021. 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, 2021. 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, 2021, 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, 2021, has issued an attestation report on the Company’s internal control over financial reporting.

Changes in Internal Control over Financial Reporting

None.

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, 2021, 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, 2021, 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, 2021 and 2020, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "financial statements") and our report dated March 1, 2022 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, GA
March 1, 2022

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item is incorporated herein by reference to our proxy statement for the 2022 Annual Meeting of Shareholders (the “2022 Proxy Statement”). The 2022 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2021.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2022 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 2022 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 2022 Proxy Statement.

Item 14. Principle Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2022 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.

Date: March 1, 2022

By: Forward Air Corporation
/s/ Rebecca J. Garbrick

Rebecca J. Garbrick
Chief Financial Officer and Treasurer
(Principal Financial Officer and Duly Authorized Officer)

[Table of Contents](#)

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.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---------------------------------------------------------|----------------------------------------------------------------------------------|---------------|
| <u>/s/ Thomas Schmitt</u> Thomas Schmitt | Chairman, President and Chief Executive Officer (Principal Executive Officer) | March 1, 2022 |
| <u>/s/ Rebecca J. Garbrick</u> Rebecca J. Garbrick | Chief Financial Officer and Treasurer (Principal Financial Officer) | March 1, 2022 |
| <u>/s/ R. Craig Carlock</u> R. Craig Carlock | Lead Director | March 1, 2022 |
| <u>/s/ Ronald W. Allen</u> Ronald W. Allen | Director | March 1, 2022 |
| <u>/s/ Ana B. Amicarella</u> Ana B. Amicarella | Director | March 1, 2022 |
| <u>/s/ Valerie A. Bonebrake</u> Valerie A. Bonebrake | Director | March 1, 2022 |
| <u>/s/ C. Robert Campbell</u> C. Robert Campbell | Director | March 1, 2022 |
| <u>/s/ George Mayes</u> George Mayes | Director | March 1, 2022 |
| <u>/s/ G. Michael Lynch</u> G. Michael Lynch | Director | March 1, 2022 |
| <u>/s/ Laurie A. Tucker</u> Laurie A. Tucker | Director | March 1, 2022 |
| <u>/s/ Chitra Nayak</u> Chitra Nayak | Director | March 1, 2022 |
| <u>/s/ Scott Niswonger</u> Scott Niswonger | Director | March 1, 2022 |
| <u>/s/ Javier Polit</u> Javier Polit | Director | March 1, 2022 |
| <u>/s/ Richard Roberts</u> Richard Roberts | Director | March 1, 2022 |

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, 2021

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:

| | Page No. |
|----------------------------------------------------------------------------------------------------------------|---------------------|
| Report of Ernst & Young LLP, Independent Registered Public Accounting Firm (PCAOB ID: 42) | F-3 |
| Consolidated Balance Sheets — December 31, 2021 and 2020 | F-5 |
| Consolidated Statements of Comprehensive Income — Years Ended December 31, 2021, 2020 and 2019 | F-6 |
| Consolidated Statements of Shareholders' Equity — Years Ended December 31, 2021, 2020 and 2019 | F-7 |
| Consolidated Statements of Cash Flows — Years Ended December 31, 2021, 2020 and 2019 | F-8 |
| Notes to Consolidated Financial Statements — December 31, 2021 | F-9 |

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

| | |
|-----------------------------------------------------------------|---------------------|
| Schedule II - Valuation and Qualifying Accounts | S-1 |
|-----------------------------------------------------------------|---------------------|

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, 2021 and 2020, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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), the Company's internal control over financial reporting as of December 31, 2021, 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 March 1, 2022 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 error or fraud. 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Self-Insurance Loss Reserves

Description of the Matter The liability for self-insurance loss reserves totaled \$65.6 million at December 31, 2021 which includes self-insurance reserves for vehicle liability claims. The long-term portion of this liability was included in "Other long-term liabilities," and the remainder was included in "Insurance and claims" on the Company's Balance Sheet. As more fully described in Note 1 to the consolidated financial statements, the self-insurance reserves include estimates for both known claims and future claims development and are based on company-specific and industry data, as well as general economic information.

Auditing the Company's self-insurance reserves for vehicle liability claims was complex, highly subjective and required significant judgment due to the actuarial techniques and significant assumptions used. The Company utilizes actuarial analyses to evaluate open claims and estimate the ongoing development exposure. The most significant assumptions used in the estimation process include determining the trend in loss costs, the severity of claims, and the expected costs to settle unpaid claims.

How We Addressed the Matter in Our Audit We tested internal controls over management's review of the completeness and accuracy of data inputs used in the actuarial analysis and review of the actuarial assumptions and reserve calculations.

To test the self-insurance loss reserves for vehicle liability claims, our audit procedures included, among others, evaluating the methodologies used and the significant actuarial assumptions discussed above, as well as performing substantive procedures over underlying data and calculations used in the analyses. We tested claims data by agreeing the data to supporting source documentation and payment information. We evaluated whether changes to the reserves for known claims were being recognized timely based on the underlying available data and current estimates. We involved actuarial specialists to assist in our evaluation of the actuarial methodologies used as well as to independently calculate a range of reserve estimates for comparison to the recorded reserves.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1991

Atlanta, GA
March 1, 2022

Forward Air Corporation
Consolidated Balance Sheets
(In thousands, except share data)

| | December 31, 2021 | December 31, 2020 |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 37,316 | \$ 40,254 |
| Accounts receivable, less allowance of \$3,260 in 2021 and \$2,273 in 2020 | 208,085 | 156,490 |
| Other receivables | 8,097 | — |
| Prepaid expenses | 22,283 | 21,410 |
| Other current assets | 7,026 | 6,740 |
| Current assets held for sale | — | 21,002 |
| Total current assets | 282,807 | 245,896 |
| Property and equipment, net | 219,095 | 189,867 |
| Operating lease right-of-use assets | 148,198 | 123,338 |
| Goodwill | 266,752 | 244,982 |
| Other acquired intangibles, net of accumulated amortization of \$107,337 in 2021 and \$93,009 in 2020 | 154,717 | 145,032 |
| Other assets | 46,254 | 45,181 |
| Noncurrent assets held for sale | — | 53,097 |
| Total assets | \$ 1,117,823 | \$ 1,047,393 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 44,837 | \$ 38,371 |
| Accrued expenses | 61,621 | 51,264 |
| Other current liabilities | 4,614 | 10,580 |
| Current portion of debt and finance lease obligations | 6,088 | 1,801 |
| Current portion of operating lease liabilities | 47,532 | 43,680 |
| Current liabilities held for sale | — | 25,924 |
| Total current liabilities | 164,692 | 171,620 |
| Finance lease obligations, less current portion | 9,571 | 5,010 |
| Operating lease liabilities, less current portion | 101,409 | 80,346 |
| Long-term debt, less current portion and debt issuance costs | 155,466 | 112,398 |
| Other long-term liabilities | 49,624 | 54,129 |
| Deferred income taxes | 43,407 | 41,986 |
| Noncurrent liabilities held for sale | — | 34,575 |
| Commitments and contingencies (Note 9) | — | — |
| Shareholders' equity: | | |
| Preferred stock, \$0.01 par value: Authorized shares -5,000,000; no shares issued or outstanding in 2021 and 2020 | — | — |
| Common stock, \$0.01 par value: Authorized shares -50,000,000; issued and outstanding shares -26,968,788 in 2021 and 27,316,434 in 2020 | 270 | 273 |
| Additional paid-in capital | 258,474 | 242,916 |
| Retained earnings | 334,910 | 304,140 |
| Total shareholders' equity | 593,654 | 547,329 |
| Total liabilities and shareholders' equity | \$ 1,117,823 | \$ 1,047,393 |

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, 2021 | December 31, 2020 | December 31, 2019 |
| Operating revenue | \$ 1,662,427 | \$ 1,269,573 | \$ 1,215,187 |
| Operating expenses: | | | |
| Purchased transportation | 833,075 | 650,664 | 586,140 |
| Salaries, wages and employee benefits | 327,814 | 270,785 | 258,001 |
| Operating leases | 79,633 | 69,720 | 63,092 |
| Depreciation and amortization | 39,552 | 37,125 | 36,394 |
| Insurance and claims | 42,186 | 34,912 | 38,733 |
| Fuel expense | 17,027 | 12,166 | 17,759 |
| Other operating expenses | 163,839 | 120,277 | 102,652 |
| Total operating expenses | 1,503,126 | 1,195,649 | 1,102,771 |
| Income from continuing operations | 159,301 | 73,924 | 112,416 |
| Other expense: | | | |
| Interest expense, net | (4,338) | (4,561) | (2,711) |
| Other, net | — | (3) | (1) |
| Total other expense | (4,338) | (4,564) | (2,712) |
| Income before income taxes | 154,963 | 69,360 | 109,704 |
| Income tax expense | 38,872 | 16,593 | 27,382 |
| Net income from continuing operations | 116,091 | 52,767 | 82,322 |
| (Loss) income from discontinued operation, net of tax | (10,232) | (29,034) | 4,777 |
| Net income and comprehensive income | \$ 105,859 | \$ 23,733 | \$ 87,099 |
| Basic net income per share: | | | |
| Continuing operations | \$ 4.25 | \$ 1.90 | \$ 2.89 |
| Discontinued operation | (0.37) | (1.05) | 0.17 |
| Net income per share ¹ | \$ 3.87 | \$ 0.84 | \$ 3.06 |
| Diluted net income per share: | | | |
| Continuing operations | \$ 4.22 | \$ 1.89 | \$ 2.87 |
| Discontinued operation | (0.37) | (1.05) | 0.17 |
| Net income per share | \$ 3.85 | \$ 0.84 | \$ 3.04 |
| Dividends per share: | \$ 0.84 | \$ 0.75 | \$ 0.72 |

¹ Rounding may impact summation of amounts.

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

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

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Total Shareholders' Equity |
|-----------------------------------------------------------|--------------|--------|----------------------------------|-------------------|----------------------------------|
| | Shares | Amount | | | |
| Balance at December 31, 2018 | 28,535 | \$ 285 | \$ 210,296 | \$ 342,663 | \$ 553,244 |
| Net income | — | — | — | 87,099 | 87,099 |
| Stock options exercised | 99 | 1 | 4,049 | — | 4,050 |
| Other | — | — | (1) | (1) | (2) |
| Common stock issued under employee stock purchase plan | 12 | — | 614 | — | 614 |
| Share-based compensation expense | — | — | 11,907 | — | 11,907 |
| Payment of dividends to shareholders | — | — | 6 | (20,500) | (20,494) |
| Payment of minimum tax withholdings on share-based awards | (50) | — | — | (3,032) | (3,032) |
| Repurchases and retirement of common stock | (915) | (9) | — | (56,195) | (56,204) |
| Issuance of share-based awards | 169 | 2 | (2) | — | — |
| Balance at December 31, 2019 | 27,850 | \$ 279 | \$ 226,869 | \$ 350,034 | \$ 577,182 |
| Net income | — | — | — | 23,733 | 23,733 |
| Stock options exercised | 89 | 1 | 4,236 | — | 4,237 |
| Common stock issued under employee stock purchase plan | 15 | — | 664 | — | 664 |
| Share-based compensation expense | — | — | 11,138 | — | 11,138 |
| Payment of dividends to shareholders | — | — | 10 | (20,879) | (20,869) |
| Payment of minimum tax withholdings on share-based awards | (59) | — | — | (3,508) | (3,508) |
| Repurchases and retirement of common stock | (787) | (8) | — | (45,240) | (45,248) |
| Issuance of share-based awards | 208 | 1 | (1) | — | — |
| Balance at December 31, 2020 | 27,316 | \$ 273 | \$ 242,916 | \$ 304,140 | \$ 547,329 |
| Net income | — | — | — | 105,859 | 105,859 |
| Stock options exercised | 69 | 1 | 3,705 | — | 3,706 |
| Common stock issued under employee stock purchase plan | 12 | — | 911 | — | 911 |
| Share-based compensation expense | — | — | 10,929 | — | 10,929 |
| Payment of dividends to shareholders | — | — | 14 | (22,990) | (22,976) |
| Payment of minimum tax withholdings on share-based awards | (39) | — | — | (3,115) | (3,115) |
| Repurchases and retirement of common stock | (535) | (5) | — | (48,984) | (48,989) |
| Issuance of share-based awards | 146 | 1 | (1) | — | — |
| Balance at December 31, 2021 | 26,969 | \$ 270 | \$ 258,474 | \$ 334,910 | \$ 593,654 |

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, 2021 | December 31, 2020 | December 31, 2019 |
| Operating activities: | | | |
| Net income from continuing operations | \$ 116,091 | \$ 52,767 | \$ 82,322 |
| Adjustments to reconcile net income of continuing operations to net cash provided by operating activities of continuing operations: | | | |
| Depreciation and amortization | 39,552 | 37,125 | 36,394 |
| Change in fair value of earn-out liability | (496) | 379 | (33) |
| Share-based compensation expense | 10,913 | 11,033 | 11,715 |
| Provision for revenue adjustments | 7,943 | 4,751 | 3,339 |
| Deferred income tax expense | 1,421 | 772 | 7,089 |
| Other | 1,076 | 587 | 1,497 |
| Changes in operating assets and liabilities, net of effects from the purchase of acquired companies: | | | |
| Accounts receivable | (52,684) | (25,739) | 653 |
| Other receivables | (8,097) | — | — |
| Prepaid expenses, other current assets and other assets | (8,002) | (9,424) | (4,662) |
| Accounts payable, accrued expenses and other long-term liabilities | 17,179 | 23,854 | 7,212 |
| Net cash provided by operating activities of continuing operations | 124,896 | 96,105 | 145,526 |
| Investing activities: | | | |
| Proceeds from sale of property and equipment | 2,643 | 2,413 | 2,661 |
| Purchases of property and equipment | (39,109) | (20,268) | (22,007) |
| Purchase of businesses, net of cash acquired | (59,866) | (63,651) | (39,000) |
| Net cash used in investing activities of continuing operations | (96,332) | (81,506) | (58,346) |
| Financing activities: | | | |
| Proceeds from revolving credit facility | 195,000 | 65,000 | 20,000 |
| Payments on revolving credit facility | (150,000) | (20,000) | — |
| Repayments of finance lease obligations | (2,423) | (1,446) | (946) |
| Payment of debt issuance costs | (482) | — | — |
| Proceeds from issuance of common stock upon stock option exercises | 3,706 | 4,237 | 4,050 |
| Payment of earn-out liability | (6,519) | (5,284) | — |
| Payments of dividends to shareholders | (22,976) | (20,869) | (20,494) |
| Repurchases and retirement of common stock | (48,989) | (45,248) | (56,204) |
| Proceeds from common stock issued under employee stock purchase plan | 911 | 664 | 614 |
| Payment of minimum tax withholdings on share-based awards | (3,115) | (3,508) | (3,032) |
| Contributions from (distributions to) subsidiary held for sale | 3,385 | (12,640) | 7,924 |
| Net cash used in financing activities of continuing operations | (31,502) | (39,094) | (48,088) |
| Net (decrease) increase in cash of continuing operations | (2,938) | (24,495) | 39,092 |
| Cash from discontinued operation: | | | |
| Net cash (used in) provided by operating activities of discontinued operation | (4,635) | (11,439) | 13,472 |
| Net cash provided by (used in) investing activities of discontinued operation | 8,020 | (1,201) | (5,548) |
| Net cash (used in) provided by financing activities of discontinued operation | (3,385) | 12,640 | (7,924) |
| (Decrease) increase in cash and cash equivalents | (2,938) | (24,495) | 39,092 |
| Cash and cash equivalents at beginning of period of continuing operations | 40,254 | 64,749 | 25,657 |
| Cash at beginning of period of discontinued operation | — | — | — |
| (Decrease) increase in cash and cash equivalents | (2,938) | (24,495) | 39,092 |
| Less: cash at beginning of period of discontinued operation | — | — | — |
| Cash and cash equivalents at end of period of continuing operations | \$ 37,316 | \$ 40,254 | \$ 64,749 |

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

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021
(In thousands, except per share data)

1. Operations and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

Forward Air Corporation and its subsidiaries (“Forward Air” or the “Company”) is a leading asset-light freight and logistics company. The Company has two reportable segments: Expedited Freight and Intermodal. The Company conducts business in the United States and Canada.

The Expedited Freight segment provides expedited regional, inter-regional and national less-than-truckload (“LTL”), truckload and final mile services. Expedited Freight also offers customers local pick-up and delivery and other services including shipment consolidation and deconsolidation, warehousing, customs brokerage and other handling.

The Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and container freight station (“CFS”) warehouse and handling services.

The Company’s consolidated financial statements include Forward Air Corporation and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

On April 23, 2020, the Board of Directors (the “Board”) of the Company approved a strategy to divest of the Pool Distribution business (“Pool”), and the sale of Pool was completed on February 12, 2021. Pool provided high-frequency handling and distribution of time sensitive products to numerous destinations within a specific geographic region. As a result of the strategy to divest of Pool, the results of operations for Pool are presented as a discontinued operation in the Consolidated Statements of Comprehensive Income for all periods presented. In addition, assets and liabilities were reflected as “Assets and liabilities held for sale” in the Consolidated Balance Sheets for the prior period. Unless otherwise noted, amounts, percentages and discussion for all periods reflect the results of operations, financial condition and cash flows from the Company’s continuing operations. Refer to Note 2, *Discontinued Operation and Held for Sale*, for further discussion.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and expenses during the reporting period. Actual results could differ from those estimates. Certain prior period amounts have been reclassified to conform to the current period presentation.

Cash and Cash Equivalents

Cash as of December 31, 2021 and 2020 of \$22,308 and \$25,246, respectively, consisted of cash on hand and bank deposits. Cash equivalents as of both December 31, 2021 and 2020 of \$15,008 consisted of money market deposits. The Company considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Allowance for Doubtful Accounts and Revenue Adjustments

The Company has a broad range of customers, including freight forwarders, third-party logistics (“3PL”) companies, passenger and cargo airlines, steamship lines, and retailers, located across a diverse geography. In circumstances in which the Company is aware of a specific customer’s inability to meet its financial obligations to the Company, the Company records a specific reserve in order to reduce the net recognized accounts receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes a general reserve based on a percentage of revenue to ensure accounts receivables are properly recorded at the net amount expected to be collected. The Company sets the general reserve based on historical collection experience combined with forecasts about any expected changes to the collection experience. If circumstances change, expected recoverability of amounts due to the Company may change by a material amount. Accounts are written off after all means of collection, including legal action, have been exhausted.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

The Company records an allowance for revenue adjustments as result of future billing rate changes. Adjustments arise: (a) when small rate changes (“spot quotes”) are granted to customers that differ from the standard rates in the billing system; (b) when freight requires dimensionalization or is reweighed which results in a different rate; (3) when billing errors occur; and (4) when data entry errors occur. In 2021, average revenue adjustments per month were approximately \$662 on average revenue per month of approximately \$138,536 (0.5% of monthly revenue). The Company estimates an allowance for revenue adjustments based on historical experience, trends and current information. The average amount of revenue adjustments per month can vary in relation to the level of revenue or as a result of other factors. Both the average monthly revenue adjustments and the average lag assumptions are continually evaluated for appropriateness.

Inventories

Inventories are valued at the lower of cost or net realizable value, using first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business. Replacement parts are expensed when placed in service, while tires are capitalized and amortized over their estimated useful life. Expenses related to the utilization of inventories are recorded in “Other operating expenses” in the Consolidated Statements of Comprehensive Income.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the estimated useful lives of 30 to 40 years for building and improvements, three to ten years for equipment, the lesser of the estimated useful life or the initial lease term for leasehold improvements and five years for computer software. Land is not depreciated and construction in progress is not depreciated until ready for service. Expenditures for maintenance and repairs are charged to expense as incurred.

For internally developed software, all costs incurred during planning and evaluation are expensed. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized software also includes software acquired for internal use.

Property and equipment as of December 31, 2021 and 2020 consisted of the following:

| | December 31, 2021 | December 31, 2020 |
|------------------------------------------------|----------------------|----------------------|
| Land | \$ 26,479 | \$ 26,365 |
| Buildings and improvements | 67,269 | 65,923 |
| Equipment | 259,030 | 246,949 |
| Leasehold improvements | 13,780 | 13,747 |
| Computer software | 26,333 | 23,480 |
| Construction in progress | 27,071 | 4,055 |
| Total property and equipment | 419,962 | 380,519 |
| Less accumulated depreciation and amortization | 200,867 | 190,652 |
| Total property and equipment, net | \$ 219,095 | \$ 189,867 |

As of December 31, 2021 and 2020, the net book value of computer software included in property and equipment, net was \$8,140 and \$7,455, respectively. For the years ended December 31, 2021, 2020 and 2019, amortization expense of computer software was \$2,394, \$2,053 and \$1,714, respectively.

Cloud Computing Costs

The Company capitalizes the costs of incurred during the implementation stage for cloud computing or hosting arrangements. Costs incurred in the preliminary project stage and post-implementation stage, which includes maintenance and training costs, are expensed as incurred. Capitalized software costs are amortized over the straight-line method over three to five years and are recorded in “Prepaid expenses” in the Consolidated Balance Sheets.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Goodwill, Intangible Assets and Other Long-Lived Assets

The Company tests goodwill for impairment, at the reporting unit level, annually and when events or circumstances indicate that fair value of a reporting unit may be below its carrying value. A reporting unit is an operating segment or one level below an operating segment, for example, a component. The Company's reporting units are not its reportable segments.

Goodwill is evaluated annually as of June 30 for impairment using a qualitative assessment or a quantitative one-step assessment. If the Company elects to perform a qualitative assessment and determines the fair value of its reporting units more likely than not exceed the carrying value of their net assets, no further evaluation is necessary. For reporting units where the Company performs a one-step quantitative assessment, the Company compares the fair value of each reporting unit, which is determined based on a combination of an income approach using a discounted cash flow model, and a market approach, which considers comparable companies, to its respective carrying value of net assets, including goodwill. If the fair value of the reporting unit exceeds its carrying value of net assets, the goodwill is not considered impaired. If the carrying value of net assets is higher than the fair value of the reporting unit, the impairment charge is the amount by which the carrying value exceeds the reporting unit's fair value.

The Company reviews its long-lived assets, which include intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation for recoverability is performed at a level where independent cash flows may be attributed to either an asset or asset group. If the Company determines that the carrying amount of an asset or asset group is not recoverable based on the expected undiscounted future cash flows of the asset or asset group, an impairment loss is recorded equal to the excess of the carrying amounts over the estimated fair value of the long-lived assets. Estimates of future cash flows are based on various factors, including current operating results, expected market trends and competitive influences. The Company also evaluates the amortization periods assigned to its intangible assets to determine whether events or changes in circumstances warrant revised estimates of useful lives. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less estimated costs to sell.

The results of the Company's goodwill impairment analyses conducted as of June 30, 2021, 2020 and 2019 indicated that no reduction in the carrying amount of the Company's goodwill was required.

Changes in the carrying amount of goodwill during the years ended December 31, 2021, 2020 and 2019 are summarized as follows:

| | <u>Expedited Freight</u> | <u>Intermodal</u> | <u>Consolidated</u> |
|---------------------------------|--------------------------|-------------------|---------------------|
| Balance as of December 31, 2019 | \$ 137,034 | \$ 78,665 | \$ 215,699 |
| Acquisitions | 28,234 | 1,049 | 29,283 |
| Balance as of December 31, 2020 | \$ 165,268 | \$ 79,714 | \$ 244,982 |
| Acquisitions | 4,020 | 17,750 | 21,770 |
| Balance as of December 31, 2021 | <u>\$ 169,288</u> | <u>\$ 97,464</u> | <u>\$ 266,752</u> |

The Company's accumulated goodwill impairment is \$25,686 related to impairment charges the Company recorded during 2016 pertaining to its TLS reporting unit. The TLS reporting unit operates within the Expedited Freight reportable segment. As of December 31, 2021, approximately \$187,608 of goodwill is deductible for tax purposes.

The Company amortizes certain acquired identifiable intangible assets on a straight-line basis over their estimated useful lives, which range from one year to 20 years. The acquired intangible assets have a weighted-average useful life as follows:

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

| Intangible Assets | Weighted-Average Useful Life |
|--------------------------|-------------------------------------|
| Customer relationships | 15 years |
| Non-compete agreements | 4 years |
| Trade names | 4 years |

For the years ended December 31, 2021, 2020 and 2019, acquired intangible asset amortization was \$4,328, \$13,489 and \$10,183, respectively. The Company estimates amortization of existing intangible assets will be \$16,018 in 2022, \$15,779 in 2023, \$15,655 in 2024, \$15,557 in 2025, and \$15,366 in 2026.

Changes in the carrying amount of acquired intangible assets during 2021 and 2020 are summarized as follows:

| | Gross Carrying Amount | | | |
|---------------------------------|-------------------------------------------|-------------------------------|--------------------|--------------|
| | Customer Relationships¹ | Non-Compete Agreements | Trade Names | Total |
| Balance as of December 31, 2019 | \$ 196,225 | \$ 6,652 | \$ 1,500 | \$ 204,377 |
| Acquisitions | 32,191 | 1,473 | — | 33,664 |
| Balance as of December 31, 2020 | \$ 228,416 | \$ 8,125 | \$ 1,500 | \$ 238,041 |
| Acquisitions | 22,961 | 1,051 | — | 24,012 |
| Balance as of December 31, 2021 | \$ 251,377 | \$ 9,176 | \$ 1,500 | \$ 262,053 |

| | Accumulated Amortization | | | |
|---------------------------------|-------------------------------------------|-------------------------------|--------------------|--------------|
| | Customer Relationships¹ | Non-Compete Agreements | Trade Names | Total |
| Balance as of December 31, 2019 | \$ 73,868 | \$ 4,152 | \$ 1,500 | \$ 79,520 |
| Amortization expense | 12,062 | 1,427 | — | 13,489 |
| Balance as of December 31, 2020 | \$ 85,930 | \$ 5,579 | \$ 1,500 | \$ 93,009 |
| Amortization expense | 13,164 | 1,164 | — | 14,328 |
| Balance as of December 31, 2021 | \$ 99,094 | \$ 6,743 | \$ 1,500 | \$ 107,337 |

¹ Carrying value as of December 31, 2021 and 2020 is inclusive of \$ 16,501 of accumulated impairment.

Accrued Expenses

Accrued expenses as of December 31, 2021 and 2020 consisted of the following:

| | December 31, 2021 | December 31, 2020 |
|---------------------------------------|--------------------------|--------------------------|
| Accrued payroll and related items | \$ 29,364 | \$ 18,545 |
| Insurance and claims accruals | 21,172 | 17,994 |
| Payables to leased capacity providers | 11,085 | 14,725 |
| Accrued expenses | \$ 61,621 | \$ 51,264 |

Self-Insurance Loss Reserves

The Company's licensed motor carrier contracts with independent contractor fleets, owner-operators and other third-party transportation capacity providers for most of the transportation services. The Company's independent contractor fleet owners and owner-operators lease their equipment to the Company's motor carrier ("Leased Capacity Providers") and own,

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

operate and maintain their own tractors and employ their own drivers. Under U.S. Department of Transportation (“DOT”) regulations, the Company is liable for bodily injury and property damage caused by the Leased Capacity Providers and employee drivers while they are operating equipment under the Company’s various motor carrier authorities. The potential liability associated with any accident can be severe and occurrences are unpredictable.

For vehicle liability, the Company retains a portion of the risk. Below is a summary of the Company’s risk retention on vehicle liability insurance coverage maintained by the Company through \$10,000:

| | Company Risk Retention | Frequency | Layer | Policy Term |
|---------------------------------------------|---------------------------|------------------------------------|------------------------|---------------------------|
| Expedited Freight¹ | | | | |
| LTL business | \$ 3,000 | Occurrence/Accident ² | \$0 to \$3,000 | 10/1/2021 to 10/1/2022 |
| Truckload business | \$ 2,000 | Occurrence/Accident ² | \$0 to \$2,000 | 10/1/2021 to 10/1/2022 |
| LTL business | \$ 6,000 | Policy Term Aggregate ³ | \$3,000 to \$5,000 | 10/1/2021 to 10/1/2022 |
| LTL, Truckload and Intermodal businesses | \$ 2,500 | Policy Term Aggregate ³ | \$5,000 to \$10,000 | 10/1/2021 to 10/1/2022 |
| Intermodal | | | | |
| | \$ 1,000 | Occurrence/Accident ² | \$0 to \$1,000 | 10/1/2021 to 10/1/2022 |

¹ Excluding the Final Mile business, which is primarily a brokered service.

² For each and every accident, the Company is responsible for damages and defense up to these amounts, regardless of the number of claims associated with any accident.

³ During the Policy Term, the Company is responsible for damages and defense within the stated Layer up to the stated, aggregate amount of Company Risk Retention before insurance will respond.

Also, from time to time, when brokering freight, the Company may face claims for the “negligent selection” of outside, contracted carriers that are involved in accidents, and the Company maintains third-party liability insurance coverage with a \$100 deductible per occurrence for most of its brokered services. Additionally, the Company maintains workers’ compensation insurance with a self-insured retention of \$500 per occurrence.

The Company provides for the estimated costs of vehicle liability and workers’ compensation claims both reported and for claims incurred but not reported. 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 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 estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims and through actuarial analysis to determine an estimate of probable losses on claims incurred but not reported. The Company accrues 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. Failure to establish sufficient insurance reserves and adequately estimate for future insurance claims may cause unfavorable differences between actual self-insurance costs and the reserve estimates.

As of December 31, 2021 and 2020, the Company recorded insurance reserves of \$65,649 and \$68,647, respectively, inclusive of reserves in excess of the self-insured retention limit that are expected to be reimbursed from insurance carriers. As of December 31, 2021, \$21,172 was recorded in “Insurance and claims accruals” and \$44,477 was recorded in “Other long-term liabilities” in the Consolidated Balance Sheets. As of December 31, 2020, \$17,994 was recorded in “Insurance and claims accruals” and \$50,653 was recorded in “Other long-term liabilities” in the Consolidated Balance Sheets.

As of December 31, 2021 and 2020, the Company recognized a receivable for insurance proceeds and a corresponding claims payable for vehicle liability and workers’ compensation claims in excess of the self-insured retention limit. As of December 31, 2021 and 2020, the Company recorded \$28,667 and \$35,088, respectively, in “Other assets” and “Other long-term liabilities” in the Consolidated Balance Sheets.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Revenue Recognition

Revenue is recognized when the Company satisfies the performance obligation by the delivery of a shipment in accordance with contractual agreements, bills of lading (“BOLs”) and general tariff provisions. The amount of revenue recognized is measured as the consideration the Company expects to receive in exchange for those services pursuant to a contract with a customer. A contract exists once the Company enters into a contractual agreement with a customer. The Company does not recognize revenue in cases where collectibility is not probable, and defers recognition until collection is probable or payment is received.

The Company generates revenue from the delivery of a shipment and the completion of related services. Revenue for the delivery of a shipment is recorded over time to coincide with when customers simultaneously receive and consume the benefits of the delivery services. Accordingly, revenue billed to a customer for the transportation of freight are recognized over the transit period as the performance obligation to the customer is satisfied. The Company determines the transit period for a shipment based on the pick-up date and the delivery date, which may be estimated if delivery has not occurred as of a reporting period. The determination of the transit period and how much of it has been completed as of a given reporting date may require the Company to make judgments that impact the timing of revenue recognized. For delivery of shipments with a pick-up date in one reporting period and a delivery date in another reporting period, the Company recognizes revenue based on relative transit time in each reporting period. A portion of the total revenue to be billed to the customer after completion of a delivery is recognized in each reporting period based on the percentage of total transit time that has been completed at the end of the applicable reporting period. Upon delivery of a shipment or related service, customers are billed according to the applicable payment terms. Related services are a separate performance obligation and include accessorial charges such as terminal handling, storage, equipment rentals and customs brokerage.

Revenue is classified based on the line of business as the Company believes that best depicts the nature, timing and amount of revenue and cash flows. For all lines of business, the Company records revenue on a gross basis as it is the principal in the transaction as the Company has discretion to determine the amount of consideration. Additionally, the Company has the discretion to select drivers and other vendors for the services provided to customers. These factors, discretion in the amount of consideration and the selection of drivers and other vendors, support revenue recognized on a gross basis.

Leases

The Company accounts for leases under Accounting Standards Codification 842, *Leases*, (“ASC 842”), where lessees are required to record an asset (right-of-use asset or finance lease asset) and a lease liability. ASC 842 allows for two types of leases for recognition purposes: operating leases and finance leases. Operating leases result in the recognition of a single lease expense on a straight-line basis over the lease term, while finance leases result in an accelerated expense. The Company determines if an arrangement contains a lease at inception based on whether or not the Company has the right to control the asset during the contract period. All leases greater than 12 months result in the recognition of a right-of-use asset and liability at the lease commencement date based on the present value of the lease payments over the lease term. The present value of the lease payments is calculated using the applicable weighted-average discount rate. The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated based on the contractual lease term and the Company’s applicable borrowing rate.

Business Combinations

Upon the acquisition of a business, the fair value of the assets acquired and liabilities assumed are estimated, which may require judgment regarding the identification of acquired assets and liabilities assumed. Once the acquired assets and assumed liabilities are identified, the fair value of the assets and liabilities are estimated using a variety of approaches that require significant judgments. For intangible assets, significant judgments include, but are not limited to, future cash flows, selection of discount rates, determination of terminal growth rates, and estimated useful life and pattern of use of the underlying intangible assets. For tangible assets, significant judgements, include, but are not limited to, current market values, physical and functional obsolescence of the assets, and remaining useful lives. Consideration is typically paid in the form of cash paid upon closing or contingent consideration paid upon satisfaction of a future obligation. If contingent consideration is included as a component of the consideration, the Company values the consideration as of the acquisition date.

Income Taxes

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Refer to Note 7, *Income Taxes*, for further discussion.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during each period. Restricted shares have non-forfeitable rights to dividends and as a result, are considered participating securities for purposes of computing net income (loss) per common share pursuant to the two-class method. Net income allocated to participating securities was \$737 in 2021, \$385 in 2020 and \$945 in 2019. Diluted net income (loss) per common share assumes the exercise of outstanding stock options and the vesting of performance share awards using the treasury stock method when the effects of such assumptions are dilutive.

A reconciliation of net income (loss) attributable to Forward Air and weighted-average common shares outstanding for purposes of calculating basic and diluted net income (loss) per share during the years ended December 31, 2021, 2020 and 2019 is as follows:

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|------------------|
| Numerator: | | | |
| Net income and comprehensive income from continuing operations | \$ 116,091 | \$ 52,767 | \$ 82,322 |
| Net (loss) income and comprehensive (loss) income from discontinued operation | (10,232) | (29,034) | 4,777 |
| Net income attributable to Forward Air | <u>\$ 105,859</u> | <u>\$ 23,733</u> | <u>\$ 87,099</u> |
| Income allocated to participating securities from continuing operations | (807) | (385) | (945) |
| Loss allocated to participating securities from discontinued operation | 70 | — | — |
| Income allocated to participating securities | <u>(737)</u> | <u>(385)</u> | <u>(945)</u> |
| Numerator for basic and diluted net income per share for continuing operations | <u>\$ 115,284</u> | <u>\$ 52,382</u> | <u>\$ 81,377</u> |
| Numerator for basic and diluted net (loss) income per share for discontinued operation | <u>\$ (10,162)</u> | <u>\$ (29,034)</u> | <u>\$ 4,777</u> |
| Denominator: | | | |
| Denominator for basic net income per share - weighted-average number of common shares outstanding | 27,155 | 27,631 | 28,195 |
| Dilutive stock options and performance share awards | 137 | 66 | 113 |
| Denominator for diluted net income per share - weighted-average number of common shares and common share equivalents outstanding | <u>27,292</u> | <u>27,697</u> | <u>28,308</u> |
| Basic net income (loss) per share: | | | |
| Continuing operations | \$ 4.25 | \$ 1.90 | \$ 2.89 |
| Discontinued operation | (0.37) | (1.05) | 0.17 |
| Net income per share ¹ | <u>\$ 3.87</u> | <u>\$ 0.84</u> | <u>\$ 3.06</u> |
| Diluted net income (loss) per share: | | | |
| Continuing operations | \$ 4.22 | \$ 1.89 | \$ 2.87 |
| Discontinued operation | (0.37) | (1.05) | 0.17 |
| Net income per share | <u>\$ 3.85</u> | <u>\$ 0.84</u> | <u>\$ 3.04</u> |

¹ Rounding may impact summation of amounts.

The number of shares that were not included in the calculation of net income (loss) per diluted share because to do so would have been anti-dilutive for the years ended December 31, 2021, 2020 and 2019 are as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------------------------------|-------------|-------------|-------------|
| Anti-dilutive stock options | — | 206 | 183 |
| Anti-dilutive performance shares | — | 15 | — |
| Anti-dilutive restricted shares and deferred stock units | — | 3 | — |
| Total anti-dilutive shares | <u>—</u> | <u>224</u> | <u>183</u> |

Share-Based Compensation

The Company grants awards under the stock-based compensation plans to certain employees of the Company. The awards include stock options, restricted shares and performance shares. The fair value of the stock options is estimated on the grant date using the Black-Scholes option pricing model, and share-based compensation expense is recognized on a straight-line basis over the three-year vesting period. The fair value of the restricted shares is the quoted market value of the Company's common stock on the grant date, and the share-based compensation expense is recognized on a straight-line basis over the vesting period. For certain performance shares, the fair value is the quoted market value of the Company's common stock on

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

the grant date less the present value of the expected dividends not received during the relevant period. For these performance shares, the share-based compensation expense is recognized on a straight-line basis over the three-year vesting period based on the projected assessment of the level of performance that will be achieved. The fair value of other performance shares that have a financial target of the Company's total shareholder return as compared to the total shareholder return of a selected peer group, is estimated on the grant date using a Monte Carlo simulation model. The share-based compensation expense is recognized on a straight-line basis over the three-year vesting period. All share-based compensation expense is recognized in salaries, wages and employee benefits in the Consolidated Statements of Comprehensive Income. Refer to Note 6, *Stock Incentive Plan*, for further discussion.

Ransomware Incident

In December 2020, the Company detected a ransomware incident impacting its operational and information technology systems, which caused service delays for many of its customers ("Ransomware Incident"). Promptly upon its detection of the incident, the Company initiated response protocols, launched an investigation and engaged the services of cybersecurity and forensics professionals. The Company has also engaged with the appropriate law enforcement authorities. The Company continued to cooperate with law enforcement in connection with the criminal investigation into those responsible for the Ransomware Incident.

For the year ended December 31, 2021 and 2020, expenses related to the Ransomware Incident were \$434 and \$1,560, respectively, which were recorded in "Other operating expenses" in the Consolidated Statements of Comprehensive Income. Expenses include costs to investigate and remediate the Ransomware Incident and legal and other professional services related to the incident.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The standard simplifies the accounting for income taxes by removing certain exceptions to the general principles of accounting for income taxes and improving consistent application of the principles. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard as of January 1, 2021. The adoption of the standard did not have a material impact on the Company's results of operations, financial condition, or cash flows.

New Accounting Pronouncements to be Adopted

In October 2021, FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The standard addresses the recognition of an acquired contract liability in a business combination and the recognition and measurement of contract assets and contract liabilities from revenue contracts acquired in a business combination. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the adoption of ASU 2021-08 and the impact, if any, adoption will have on its operations, financial condition, or cash flows.

2. Discontinued Operation and Held for Sale

As previously disclosed, on April 23, 2020, the Company made a decision to divest of Pool. The Pool business met the criteria for held for sale classification. As a result, the assets and liabilities of Pool were presented separately under the captions "Current assets held for sale", "Noncurrent assets held for sale", "Current liabilities held for sale" and "Noncurrent liabilities held for sale" in the Consolidated Balance Sheets as of December 31, 2020. The results of Pool were reclassified to "Loss from discontinued operation, net of tax" in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019. Certain corporate overhead and other costs previously allocated to Pool for segment reporting purposes did not qualify for classification within discontinued operation and have been reallocated to continuing operations. These costs were reclassified to the eliminations column in the segment reconciliation in Note 12, *Segment Reporting*.

Held for Sale

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Upon meeting the criteria for held for sale classification and in each subsequent reporting period, the Company evaluated whether Pool's estimated fair value, less costs to sell, exceeded the net carrying value. The annual goodwill impairment analysis conducted as of June 30, 2020 indicated that the fair value in excess of the carrying value related to the Pool reporting unit was approximately 5% and in the third quarter of 2020, the Company concluded the estimated fair value, less costs to sell, exceeded the net carrying value and there were no indicators of impairment for the Pool reporting unit.

However, in response to the longer than expected macroeconomic conditions caused by the COVID-19 pandemic and status of negotiations to sell the Pool business, a strategic review of the business was completed in the fourth quarter of 2020 along with revised forecasts to include updated market conditions and strategic operating decisions. The revised forecasts indicated an impairment of the entire goodwill balance of the Pool reporting unit was necessary as of December 31, 2020. A non-cash charge of approximately \$5,406 was recorded as an "Impairment charge" in the summarized discontinued operation financial information for the year ended December 31, 2020. In addition, the Company recorded a valuation allowance against the net assets held for sale to write down the carrying value to the estimated fair value less costs to sell. A non-cash valuation allowance of approximately \$22,978 was recorded as an "Impairment charge" in the summarized discontinued operation financial information for the year ended December 31, 2020.

The fair value was estimated based on a combination of an income approach using a discounted cash flow model, and a market approach, which considers comparable companies. Estimates of future cash flows are based on various factors, including current operating results, expected market trends and competitive influences. Refer to Note 1, *Operations and Summary of Significant Accounting Policies*, for further discussion about the estimation of fair value.

Sale of Pool

On February 12, 2021, the Company completed the sale of the Pool business for \$8,000 in cash and up to a \$12,000 earn-out based on earnings before interest, taxes, depreciation and amortization. The sale agreement for Pool included an earn-out based on the achievement of certain earnings before interest, taxes, depreciation and amortization attainment over an eleven-month period, beginning February 1, 2021. The estimated fair value of the earn-out asset on the date of sale was \$6,967. The fair value was based on the estimated eleven-month period of the earnings before interest, taxes, depreciation and amortization and was calculated using a Monte Carlo simulation model.

The weighted average assumptions under the Monte Carlo simulation model were as follows:

| | February 12, 2021 |
|------------------------------------------------------------------------------|--------------------------|
| Counterparty credit spread | 1.2% |
| Earnings before interest, taxes, depreciation and amortization discount rate | 15.0% |
| Asset volatility | 55.0% |

Subsequent to the date of sale, the Company recognized any increases in the carrying value of the earn-out asset when the change was realized and evaluated the earn-out asset for impairment at each reporting period. The financial performance of the Pool business significantly deteriorated during the third quarter of 2021. As a result, an evaluation of the earn-out asset for impairment was completed, which included a review of revised forecasts, updated strategic operating decisions and current market conditions. The revised forecasts indicated an impairment of the entire earn-out asset was necessary. A non-cash charge of \$ 6,967 was recorded as an "Impairment charge" in the summarized discontinued operation financial information for the year ended December 31, 2021.

Transition Services Agreement

On February 12, 2021, the Company entered into a Transition Services Agreement ("TSA") with TOG FAS Holdings LLC, the buyer of the Pool business. Under the TSA, the Company performed certain services on an interim basis in order to facilitate the orderly transition of the Pool business. The effective date of the TSA was February 12, 2021 and remained in effect until the date all services were completed, but no more than six months following the effective date. The TSA provided the right to extend the term of the TSA with no limit on the number of the mutually agreed upon extensions. In exchange for the services performed by the Company under the TSA, the Company received a monthly service charge. For the year ended December 31, 2021, the Company recognized \$747, in "Other operating expenses" in the Consolidated Statements of

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Comprehensive Income, for the services performed under the TSA. The TSA ended in October 2021 when all services were completed.

Additionally, under the TSA, the Company remitted payments to outside vendors on behalf of TOG FAS Holdings LLC for expenses incurred by the Pool business up to a limit of \$18,000. The Company is reimbursed by TOG FAS Holdings LLC within 60 days from the end of the month in which the payment is remitted. As of December 31, 2021, the Company recorded a receivable in the amount of \$8,097 in "Other receivables" in Consolidated Balance Sheets for the reimbursement due to the Company. The Company evaluates the collectability of the receivable at least quarterly and if the Company is aware of the inability of TOG FAS Holdings LLC to meet its financial obligations to the Company, the Company will record a specific reserve in order to reduce the receivable to the amount the Company reasonably believes will be collected. The Company believes collectibility of the receivable is probable as of December 31, 2021.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Summarized Held for Sale and Discontinued Operation Financial Information

A summary of the carrying amounts of major classes of assets and liabilities, which are included in assets and liabilities held for sale in the Consolidated Balance Sheets, is as follows:

| | December 31, 2020 |
|---------------------------------------------------------------------------------|------------------------------|
| Assets | |
| Current assets: | |
| Accounts receivable, less allowance of \$86 in 2020 | \$ 19,740 |
| Other current assets | 1,262 |
| Total current assets held for sale | <u>\$ 21,002</u> |
| Property and equipment | \$ 48,905 |
| Less accumulated depreciation and amortization | 28,890 |
| Net property and equipment | <u>20,015</u> |
| Operating lease right-of-use assets | 46,865 |
| Other acquired intangibles, net of accumulated amortization of \$12,679 in 2020 | 2,621 |
| Deferred income taxes | 3,253 |
| Other assets | 3,321 |
| Valuation allowance on assets held for sale | (22,978) |
| Total noncurrent assets held for sale | <u>\$ 53,097</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | \$ 4,002 |
| Accrued expenses | 5,070 |
| Other current liabilities | 27 |
| Current portion of operating lease liabilities | 16,825 |
| Total current liabilities held for sale | <u>\$ 25,924</u> |
| Operating lease liabilities, less current portion | \$ 30,024 |
| Other long-term liabilities | 4,551 |
| Total noncurrent liabilities held for sale | <u>\$ 34,575</u> |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

A summary of the results of operations classified as a discontinued operation, net of tax, in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019 is as follows:

| | Year Ended | | |
|---------------------------------------------------------------|----------------------|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Operating revenue | \$ 17,776 | \$ 141,433 | \$ 195,208 |
| Operating expenses: | | | |
| Purchased transportation | 3,381 | 33,979 | 52,867 |
| Salaries, wages and employee benefits | 9,458 | 65,695 | 77,162 |
| Operating leases | 2,289 | 21,982 | 18,918 |
| Depreciation and amortization | — | 1,657 | 5,715 |
| Insurance and claims | 929 | 6,205 | 6,707 |
| Fuel expense | 508 | 4,279 | 6,462 |
| Other operating expenses | 1,627 | 17,587 | 20,969 |
| Impairment charge | 6,967 | 28,384 | — |
| Total operating expenses | 25,159 | 179,768 | 188,800 |
| (Loss) income from discontinued operation | (7,383) | (38,335) | 6,408 |
| Loss on sale of business | (2,860) | — | — |
| (Loss) income from discontinued operation before income taxes | (10,243) | (38,335) | 6,408 |
| Income tax (benefit) expense | (11) | (9,301) | 1,631 |
| (Loss) income from discontinued operation, net of tax | \$ (10,232) | \$ (29,034) | \$ 4,777 |

3. Acquisitions

Expedited Freight

In April 2019, the Company acquired certain assets and liabilities of FSA Network, Inc., doing business as FSA Logistix (“FSA”), for \$26,798, net of cash acquired of \$202, and an earn-out of up to \$15,000. FSA, with management offices in Fort Lauderdale, Florida and Southlake, Texas, specializes in last mile logistics for a wide range of American companies, including national retailers, manufacturers, eTailers and third-party logistics companies. FSA has operations in the East, Midwest, Southwest and West regions. The acquisition of FSA provides the Company with the opportunity to expand its final mile service offering into additional geographic markets, form relationships with new customers, add volumes to existing locations and generate synergies within the Company. The acquisition was financed by cash flow from operations. The results of operations of FSA has been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Expedited Freight reportable segment.

The purchase agreement for FSA included an earn-out up to \$15,000 based on the achievement of certain revenue milestones over two one-year periods, beginning May 1, 2019. The estimated fair value of the earn-out liability on the date of acquisition was \$11,803. The fair value was based on the estimated two-year performance of the acquired customer revenue and was calculated using a Monte Carlo simulation model. The assumptions under the Monte Carlo simulation model were as follows for the year ended December 31, 2020 and 2019:

| | December 31, 2020 | December 31, 2019 |
|-----------------------|-------------------|-------------------|
| Risk-free rate | 1.4% | 2.2% |
| Revenue discount rate | 3.2% | 4.4% |
| Revenue volatility | 8.0% | 5.0% |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

The fair value of the earn-out liability was adjusted at each reporting period based on changes in the expected cash flows and related assumptions used in the Monte Carlo simulation model. During the year ended December 31, 2021, 2020 and 2019, the fair value of the earn-out changed by (\$52), \$379 and (\$33), respectively, and the change in fair value was recorded in “Other operating expenses” in the Consolidated Statements of Comprehensive Income. The first one-year period ended in the second quarter of 2020 and the Company paid \$5,284 based on the terms of the purchase agreement. The second one-year period ended in the second quarter of 2021 and the Company paid \$6,813 in the third quarter of 2021 based on the terms of the purchase agreement. As of December 31, 2020, the fair value of the earn-out liability was \$6,865, which was reflected in “Other current liabilities” in the Consolidated Balance Sheets.

In January 2020, the Company acquired certain assets and liabilities of Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, “Linn Star”) for \$55,931, net of cash acquired of \$1,308. Linn Star, headquartered in Cedar Rapids, Iowa, specializes in last mile logistics and in-home installation services for a range of national retailers and manufacturers. Linn Star has operations primarily in the Midwest and Southwest regions. The acquisition of Linn Star supports the Company’s strategic growth plan by expanding the footprint of the Final Mile business into additional markets. The acquisition was financed by cash flows from operations. The results of operations of Linn Star have been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Expedited Freight reportable segment.

On October 11, 2020, the Company acquired certain assets of CLW Delivery, Inc. (“CLW”) for \$5,500. CLW, headquartered in Johnson City, Tennessee, specializes in last mile logistics and in-home installation services for national retailers and manufacturers. The acquisition of CLW supports the Company’s strategic growth plan by expanding the footprint of the Final Mile business into additional markets. The acquisition was financed by cash flows from operations. The results of operations of CLW have been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Expedited Freight reportable segment.

In May 2021, the Company acquired certain assets and liabilities of J&P Hall Express Delivery (“J&P”) for \$7,670. J&P is headquartered in Atlanta, Georgia with a second terminal in Albany, Georgia. The acquisition of J&P supports the Company’s strategic growth plan by expanding pickup and delivery, less-than-truckload, truckload, less than container load, container freight station warehousing, and airport transfer services across the Southeastern United States. The acquisition was financed by cash flow from operations. The results of J&P have been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Expedited Freight reportable segment.

Intermodal

In July 2019, the Company acquired certain assets and liabilities of O.S.T. Logistics, Inc. and O.S.T. Trucking Co., Inc. (collectively, “O.S.T.”) for \$12,000. O.S.T., headquartered in Baltimore, Maryland, provides intermodal drayage services. O.S.T. has locations in Florida, Georgia, South Carolina and Virginia. The acquisition of O.S.T. supports the Company’s strategic growth plan by expanding the footprint of the Intermodal business into additional markets. The acquisition was financed by cash flows from operations. The results of operations of O.S.T. have been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Intermodal reportable segment.

In February 2021, the Company acquired certain assets and liabilities of Proficient Transport Incorporated and Proficient Trucking, Inc. (together “Proficient Transport”) for \$16,339 and a potential earn-out up to \$2,000. Proficient Transport is an intermodal drayage company headquartered in Chicago, Illinois. The acquisition of Proficient Transport supports the Company’s strategic growth plan by expanding the intermodal footprint in Georgia, Illinois, North Carolina, and Texas, and introduces a new location in Ohio. The acquisition was financed by cash flows from operations. The results of Proficient Transport have been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Intermodal reportable segment.

The purchase agreement for Proficient Transport included an earn-out up to \$2,000 based on the achievement of certain revenue milestones over a one-year period, beginning March 1, 2021. The estimated fair value of the earn-out liability on the date of acquisition was \$829. The fair value was based on the estimated one-year performance of the acquired customer.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

revenue and was calculated using the option pricing method. The assumptions used to calculate the estimated fair value of the earn-out under the option pricing method were as follows:

| | December 31, 2021 | February 28, 2021 |
|-----------------------|--------------------------|--------------------------|
| Risk-free rate | 0.1% | 0.1% |
| Revenue discount rate | 9.8% | 8.3% |
| Revenue volatility | 24.2% | 27.3% |

The fair value of the earn-out liability was adjusted at each reporting period based on changes in the expected cash flows and related assumptions used in the option pricing method. During the year ended December 31, 2021, the fair value of the earn-out changed by (\$444), and the change in the fair value was recorded in “Other operating expenses” in the Consolidated Statements of Comprehensive Income. As of December 31, 2021, the fair value of the earn-out liability was \$385, which was reflected in “Other current liabilities” in the Consolidated Balance Sheets.

In November 2021, the Company acquired certain assets and liabilities of BarOle Trucking, Inc. (“BarOle”) for \$35,436. BarOle is an intermodal drayage company headquartered in Roseville, Minnesota. The acquisition of BarOle provides additional capacity and resources to meet customer demands in the intermodal market, and extends the service footprint to the Minneapolis-Saint Paul, Minnesota area. In addition, BarOle has a larger terminal location, which allows for further expansion in the future. The acquisition was financed by cash flows from operations. The results of BarOle have been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s Intermodal reportable segment.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Fair Value of Assets Acquired and Liabilities Assumed

Assets acquired and liabilities assumed as of the acquisition date are presented in the following table:

| | FSA | O.S.T. | Linn Star | CLW | Proficient Transport | J&P | BarOle |
|-------------------------------------------|------------------|------------------|------------------|------------------|-------------------------|-----------------|-------------------|
| | April 21, 2019 | July 14, 2019 | January 12, 2020 | October 11, 2020 | February 28, 2021 | May 30, 2021 | November 30, 2021 |
| Tangible assets: | | | | | | | |
| Cash | \$ 202 | \$ — | \$ 1,308 | \$ — | \$ — | \$ — | \$ — |
| Accounts receivable | — | — | — | — | 4,171 | 1,940 | 2,481 |
| Other receivables | 1,491 | — | — | — | — | — | — |
| Prepaid expenses and other current assets | — | — | 1,182 | — | — | 32 | — |
| Property and equipment | 40 | 10,371 | 605 | — | 140 | 1,567 | 5,351 |
| Other assets | — | — | — | — | 24 | 3 | — |
| Operating lease right-of-use assets | 3,209 | 1,672 | 10,011 | 811 | — | 1,355 | — |
| Total tangible assets | 4,942 | 12,043 | 13,106 | 811 | 4,335 | 4,897 | 7,832 |
| Intangible assets: | | | | | | | |
| Customer relationships | 17,900 | 5,700 | 29,800 | 1,500 | 6,060 | 620 | 16,282 |
| Non-compete agreements | 900 | 850 | 450 | 1,000 | 18 | 120 | 913 |
| Goodwill | 19,963 | 2,050 | 25,234 | 3,000 | 6,249 | 4,020 | 10,677 |
| Total intangible assets | 38,763 | 8,600 | 55,484 | 5,500 | 12,327 | 4,760 | 27,872 |
| Total assets acquired | 43,705 | 20,643 | 68,590 | 6,311 | 16,662 | 9,657 | 35,704 |
| Liabilities assumed: | | | | | | | |
| Current liabilities | 8,466 | — | 1,340 | — | 323 | 632 | 268 |
| Other liabilities | 5,030 | — | — | — | — | — | — |
| Finance lease obligations | — | 6,971 | — | — | — | — | — |
| Operating lease liabilities | 3,209 | 1,672 | 10,011 | 811 | — | 1,355 | — |
| Total liabilities assumed | 16,705 | 8,643 | 11,351 | 811 | 323 | 1,987 | 268 |
| Net assets acquired | \$ 27,000 | \$ 12,000 | \$ 57,239 | \$ 5,500 | \$ 16,339 | \$ 7,670 | \$ 35,436 |

The preliminary purchase price for BarOle has been allocated to assets acquired and liabilities assumed based on the the Company's best estimates and assumptions using the information available as of the acquisition date through the date of this filing. The provisional measurements of identifiable assets and liabilities, and the resulting goodwill related to these acquisitions are subject to adjustments in subsequent periods as the Company finalizes its purchase price allocation, including the third-party valuations. The Company expects to finalize the valuation as soon as practicable, but no later than one year from the acquisition date.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

The estimated useful life of acquired intangible assets as of the acquisition date are summarized in the following table:

| | Estimated Useful Lives | | | | | | |
|------------------------|------------------------|----------|-----------|---------|----------------------|----------|---------|
| | FSA | O.S.T. | Linn Star | CLW | Proficient Transport | J&P | BarOle |
| Customer relationships | 15 years | 10 years | 15 years | 7 years | 8 years | 12 years | 8 years |
| Non-compete agreements | 5 years | 3 years | 1 year | 5 years | 1 year | 5 years | 5 years |

4. Indebtedness

Long-term debt consisted of the following as of December 31, 2021 and 2020:

| | December 31, 2021 | December 31, 2020 |
|--------------------------------------------|-------------------|-------------------|
| Credit facility, expires 2026 | \$ 157,500 | \$ 112,500 |
| Debt issuance costs | (534) | (1,000) |
| | 156,966 | 112,300 |
| Less: Current portion of long-term debt | (1,500) | |
| Total long-term debt, less current portion | \$ 155,466 | \$ 112,300 |

As of December 31, 2021, the aggregate scheduled maturities of long-term debt, excluding the current portion of long-term debt are as follows:

| | | |
|------|----|---------|
| 2023 | \$ | 1,300 |
| 2024 | | 3,600 |
| 2025 | | 3,600 |
| 2026 | | 146,800 |
| | \$ | 155,400 |

In September 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 maturity date of the Facility was September 29, 2022. In April 2020, the Company entered into the first amendment to the Facility, which increased the maximum aggregate principal amount to \$225,000. The Facility could have been increased by up to \$25,000 to a maximum aggregate principal amount of \$250,000 pursuant to the terms of the amended credit agreement, subject to the lenders' agreement to increase their commitments or the addition of new lenders extending such commitments. In July 2021, the Company entered into the second amendment to the Facility, which extended the maturity date to July 20, 2026 and changed the interest rate options available under the Facility. In December 2021, the Company entered into the third amendment to the Facility, which increased the amount available for borrowing under the Facility to \$450,000, consisting of a \$300,000 revolving line of credit and a term loan of \$150,000. In connection with the third amendment, the Company borrowed \$150,000 under the term loan and simultaneously repaid \$150,000 on the revolving line of credit from the borrowings received. Under the third amendment, the Facility may be increased by up to \$75,000 to a maximum aggregate principal amount of \$525,000 pursuant to the terms of the amended 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. As of December 31, 2021 and 2020, the Company had \$272,466 and \$94,174, respectively, of available borrowing capacity under the Facility.

The Facility contains covenants that, among other things, restrict the ability of the Company, without the approval of the required lenders, to engage in certain mergers, consolidations, asset sales, dividends and stock repurchases, investments, and

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

other transactions or to incur liens or indebtedness in excess of agreed thresholds, as set forth in the credit agreement. The Company also has to fulfill financial covenants with respect to a leverage ratio and an interest coverage ratio. As of December 31, 2021, the Company was in compliance with the aforementioned covenants.

Under the amended Facility, interest accrues on the amounts outstanding under the Facility at the Company's option, at either (1) Bloomberg Short-Term Bank Yield Index rate (the "BSBY Rate"), which cannot be less than zero, plus a margin ranging from 1.25% to 1.75% based on the Company's leverage ratio, or (2) the base rate, which cannot be less than 2.00%. The base rate is the highest of (i) the federal funds rate, which cannot be less than zero, plus 0.50%, (ii) the administrative agent's prime rate and (iii) the BSBY Rate, which cannot be less than zero, plus 1.00%, plus a margin ranging from 0.00% to 0.50% based on the Company's leverage ratio. Interest is payable in arrears for each loan that is based on the BSBY rate on the last day of the interest period applicable to each loan, and interest is payable in arrears on loans not based on the BSBY rate on the last day of each quarter. The interest rate on the outstanding borrowings under the revolving credit facility was 1.43% and 3.25% as of December 31, 2021 and December 31, 2020, respectively.

Previously, under the Facility, interest accrued on the amounts outstanding under the Facility, at the Company's option, at either (1) London Interbank Offered Rate ("LIBOR") rate, not less than 1.00%, plus a margin ranging from 2.25% to 2.75% based on the Company's leverage ratio, or (2) base rate, which cannot be less than 3.00%. The base rate was the highest of (i) the federal funds rate, not less than zero, plus 0.50%, (ii) the administrative agent's prime rate and (iii) the LIBOR rate, not less than 1.00%, plus a margin ranging from 0.25% to 0.75% based on the Company's leverage ratio. Interest was payable in arrears for each loan that was based on the LIBOR rate on the last day of the interest period applicable to each loan, and interest was payable in arrears on loans not based on the LIBOR rate on the last day of each quarter.

Letters of Credit

The Company has an arrangement under the Facility to issue letters of credit, which guarantee the Company's obligations for potential claims exposure for insurance coverage. As of December 31, 2021 and December 31, 2020, outstanding letters of credit totaled \$20,034 and \$18,326, respectively.

Interest Payments

Cash payments for interest were \$4,198, \$4,580 and \$2,711 for the years ended December 31, 2021, 2020 and 2019 respectively. No interest was capitalized during the year ended December 31, 2021, 2020 and 2019.

5. Shareholders' Equity

Preferred Stock

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

Cash Dividends

During the fourth quarter of 2020 and each quarter of 2021, the Company's Board of Directors declared and the Company has paid a quarterly cash dividend of \$0.21 per common share. During the first, second and third quarters of 2020, each quarter of 2019, the Company's Board of Directors declared and the Company has paid a quarterly cash dividend of \$0.18 per common share.

On February 8, 2022, the Company's Board of Directors declared a quarterly cash dividend of \$0.24 per common share that will be paid in the first quarter of 2022.

Share Repurchase Program

On February 5, 2019, the Board of Directors approved a stock repurchase plan authorizing the repurchase of up to 5,000 shares of the Company's common stock (the "2019 Repurchase Plan"). The 2019 Repurchase Plan expires when the shares authorized for repurchase are exhausted or the 2019 Repurchase Plan is canceled.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

During the year ended December 31, 2021, the Company repurchased through open market transactions 535 shares of common stock for \$48,989, or an average of \$91.46 per share, and during the year ended December 31, 2020, the Company repurchased through open market transactions 787 shares of common stock for \$45,248, or an average of \$57.53 per share. All shares received were retired upon receipt, and the excess of the purchase price over the par value per share was recorded to "Retained Earnings" in the Consolidated Balance Sheets.

As of December 31, 2021, the remaining shares permitted to be repurchased under the 2019 Repurchase Plan were approximately 2,833 shares.

6. Stock Incentive Plan

Stock Incentive Plan

The Company recorded share-based compensation expense as follows for the years ended December 31, 2021, 2020 and 2019:

| | Years Ended | | |
|----------------------------------------------------------------|----------------------|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Salaries, wages and employee benefits - continuing operations | \$ 9,108 | \$ 9,715 | \$ 10,595 |
| Salaries, wages and employee benefits - discontinued operation | 16 | 85 | 179 |
| Total share-based compensation expense | <u>\$ 9,124</u> | <u>\$ 9,800</u> | <u>\$ 10,774</u> |

In May 2016, the Company adopted the 2016 Omnibus Incentive Compensation Plan (the "Omnibus Plan") for the issuance of up to 2,000 common shares. As of December 31, 2021, approximately 801 shares remain available for grant under the Omnibus Plan.

Stock Options

Certain executives are eligible to receive grants of stock options. Employees may exercise the stock options at anytime after the grant is vested but no later than seven years after the date of grant. Stock options vest over a three-year period from the date of grant. For stock option awards, under the Plan, the exercise price is equal to the price of the Company's common stock on the date of grant. Share-based compensation expense associated with these awards is amortized ratably over the vesting period. The Company estimated the fair value of the grants using the Black-Scholes option-pricing model.

The weighted average grant-date fair value of the stock option awards granted under the Plan and the weighted average assumptions under the Black-Scholes option-pricing model were as follows for the years ended December 31, 2021 and 2020. The Company did not grant stock options during the year ended December 31, 2019.

| | December 31, 2021 | December 31, 2020 |
|----------------------------------------------------------------|----------------------|----------------------|
| Weighted average grant-date fair value | \$ 18.36 | \$ 14.79 |
| Weighted average assumptions under Black-Scholes option model: | | |
| Expected dividend yield | 1.1 % | 1.1 % |
| Expected stock price volatility | 28.9 % | 24.1 % |
| Risk-free interest rate | 0.6 % | 1.5 % |
| Expected life of awards (years) | 5.8 | 5.9 |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Stock option transactions during the year ended December 31, 2021 on a continuing operations basis were as follows:

| | Number of Shares | Weighted Average Exercise Price |
|-------------------------------|------------------|---------------------------------|
| Outstanding as of January 1 | 359 | \$ 55.79 |
| Granted | 39 | 75.05 |
| Exercised | (56) | 53.91 |
| Forfeited or Canceled | — | — |
| Outstanding as of December 31 | <u>342</u> | <u>\$ 58.44</u> |

As of December 31, 2021, the weighted average remaining contractual life of stock options both outstanding and exercisable was approximately three years. The total fair value of stock options vested during 2021, 2020, 2019 was \$922, \$1,377, and \$1,887, respectively. As of December 31, 2021, the total share-based compensation expense related to unvested stock options not yet recognized was \$695, and the weighted average period over which it is expected to be recognized is approximately two years.

The following table sets forth the exercise price range, number of shares, weighted average exercise price and remaining contractual lives by groups of similar price on a continuing operations basis as of December 31, 2021:

| Range of Exercise Prices | Stock Options Outstanding | | | Stock Options Exercisable | |
|--------------------------|---------------------------|--------------------------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | Number of Shares | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Exercisable as of December 31, 2021 | Weighted Average Exercise Price |
| \$ 43.67 - \$ 47.82 | 107,403 | 1.6 | \$ 45.87 | 107,403 | \$ 45.87 |
| 50.71 - 59.89 | 56,689 | 2.0 | 55.66 | 56,689 | 55.66 |
| 60.42 - 65.96 | 139,309 | 4.0 | 64.60 | 103,391 | 64.13 |
| \$ 75.05 - \$ 75.05 | 39,139 | 6.1 | 75.05 | — | — |
| | <u>342,540</u> | | <u>\$ 58.44</u> | <u>267,483</u> | <u>\$ 55.01</u> |

As of December 31, 2021, the total intrinsic value of outstanding and exercisable stock options was \$21,459 and \$17,677, respectively. The total intrinsic value of stock options exercised during 2021, 2020 and 2019 was \$2,137, \$1,568 and \$2,196, respectively.

Stock option transactions during the year ended December 31, 2021 on a discontinued operation basis were as follows:

| | Number of Shares | Weighted Average Exercise Price |
|-------------------------------|------------------|---------------------------------|
| Outstanding as of January 1 | 14 | \$ 52.15 |
| Granted | — | — |
| Exercised | (14) | 52.15 |
| Forfeited or Canceled | — | — |
| Outstanding as of December 31 | <u>—</u> | <u>\$ —</u> |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

The total fair value of stock options vested during 2020 and 2019 was \$58, and \$56, respectively. There were no stock options vested during 2021. The total intrinsic value of stock options exercised during 2021 and 2019 was \$458, and \$193, respectively. There were no stock options exercised during 2020.

Restricted Shares

The Company's primary long-term incentive plan is a restricted share award plan that entitles employees to receive a share of the Company's common stock subject to vesting requirements based on continued employment. Shares granted under the restricted share award plan are restricted from sale or transfer until vesting, and the 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. Share-based compensation expense associated with these awards is amortized ratably over the requisite service period. All forfeitures are recognized as incurred.

Restricted share transactions on a continuing operations basis for the year ended December 31, 2021 were as follows:

| | <u>Number of Shares</u> | <u>Weighted Average Grant Date Fair Value</u> |
|-------------------------------|-------------------------|-------------------------------------------------------|
| Outstanding as of January 1 | 213 | \$ 62.78 |
| Granted | 109 | 75.35 |
| Vested | (110) | 61.77 |
| Forfeited | (21) | 69.08 |
| Outstanding as of December 31 | <u>191</u> | <u>\$ 69.84</u> |

The weighted average grant-date fair value of the restricted shares granted under the Plan during the years ended December 31, 2021, 2020 and 2019 were \$75.35, \$65.88 and \$59.49, respectively. The total fair value of restricted shares that vested during 2021, 2020 and 2019 was \$,487, \$9,180, and \$7,684, respectively. As of December 31, 2021, the total share-based compensation expense related to restricted shares not yet recognized was \$7,794, and the weighted average period over which it is expected to be recognized is approximately two years.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Restricted share transactions on a discontinued operation basis for the year ended December 31, 2021 were as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|-------------------------------|------------------|----------------------------------------------|
| Outstanding as of January 1 | 8 | \$ 60.83 |
| Granted | — | — |
| Vested | (4) | 60.54 |
| Forfeited | (4) | 63.62 |
| Outstanding as of December 31 | — | \$ — |

The weighted average grant-date fair value of the restricted shares granted under the Plan during the years ended December 31, 2020 and 2019 were \$3.24 and \$59.07, respectively. The total fair value of restricted shares that vested during 2021, 2020 and 2019 was \$64, \$625, and \$270, respectively.

Performance Shares

Certain executives and key employees are eligible to receive grants of performance awards. The performance share agreement provides for awards based on achieving certain financial targets, such as targets for earnings before interest, taxes, depreciation and amortization, and the Company's total shareholder return as compared to the total shareholder return of a selected peer group, as determined by the Company's Board of Directors. Performance targets are set at the beginning of each three-year measurement period. The share awards are earned over the vesting period, and the number of shares earned is determined based on the cumulative results for the measurement period. The performance agreement provides for employees to earn —% to 200% of the target awards depending on the actual performance achieved, with no shares earned if performance is below the established minimum target. Performance shares do not receive dividends until the shares are vested. Awards earned are paid in shares of common stock of the Company at the end of the vesting period. Share-based compensation expense associated with these awards is amortized ratably over the vesting period. Depending on the financial target, share-based compensation expense is determined based on the projected assessment of the level of performance that will be achieved. All forfeitures are recognized as incurred.

The grant-date fair value of performance shares granted with a financial target based on the Company's total shareholder return was estimated using a Monte Carlo simulation model. The weighted average grant-date fair value of performance awards granted under the Plan and the weighted average assumptions under the Monte Carlo simulation model were as follows for the years ended December 31, 2021, 2020 and 2019:

| | Year Ended | | | | | |
|----------------------------------------------------------------------|----------------------|-------|----------------------|-------|----------------------|-------|
| | December 31, 2021 | | December 31, 2020 | | December 31, 2019 | |
| Weighted average grant-date fair value | \$ | 87.33 | \$ | 69.15 | \$ | 61.42 |
| Weighted average assumptions under the Monte Carlo simulation model: | | | | | | |
| Expected stock price volatility | | 34.5 | % | 23.5 | % | 23.4 |
| Weighted average risk-free interest rate | | 0.2 | % | 1.4 | % | 2.5 |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Performance award transactions for the year ended December 31, 2021 on a continuing operations basis were as follows assuming target levels of performance:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|-------------------------------|------------------|----------------------------------------------|
| Outstanding as of January 1 | 65 | \$ 67.62 |
| Granted | 36 | 87.33 |
| Earned | (11) | 72.30 |
| Forfeited or unearned | (11) | 70.22 |
| Outstanding as of December 31 | 79 | \$ 75.61 |

As of December 31, 2021, the total share-based compensation expense related to unearned performance awards not yet recognized, assuming the Company's current projected assessment of the level of performance will be achieved, was \$3,618, and the weighted average period over which it is expected to be recognized is approximately two years.

The excess tax benefit realized for tax deductions in the United States related to the exercise of stock options, vesting of restricted stock and vesting of performance awards under the Plan was \$911, \$2,340, and \$2,621 for the years ended December 31, 2021, 2020 and 2019, respectively, on a continuing operations basis.

The excess tax benefit realized for tax deductions in the United States related to the exercise of stock options, vesting of restricted stock and vesting of performance awards under the Plan was \$95, \$75, and \$95 for the years ended December 31, 2021, 2020 and 2019, respectively, on a discontinued operation basis.

Employee Stock Purchase Plan

Under the 2005 Employee Stock Purchase Plan (the "ESPP"), the Company is authorized to issue up to a remaining 323 shares of common stock to 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 lump sum contributions.

Employee stock purchase plan activity and related information was as follows on a continuing operations basis:

| | Year Ended | | |
|----------------------------------------------------------------------------------|----------------------|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Shares purchased by participants under the ESPP | 12 | 14 | 11 |
| Average purchase price | \$ 75.71 | \$ 44.24 | \$ 51.50 |
| Weighted average fair value of each purchase under the ESPP granted ¹ | \$ 30.68 | \$ 20.99 | \$ 13.68 |
| Share-based compensation expense for ESPP | \$ 369 | \$ 292 | \$ 150 |

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

Employee stock purchase plan activity and related information was as follows on a discontinued operation basis:

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

| | Year Ended | | |
|----------------------------------------------------------------------------------|------------------------------|------------------------------|------------------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Shares purchased by participants under the ESPP | — | 1 | 1 |
| Average purchase price | \$ — | \$ 44.35 | \$ 51.39 |
| Weighted average fair value of each purchase under the ESPP granted ¹ | \$ — | \$ 18.11 | \$ 13.48 |
| Share-based compensation expense for ESPP | \$ — | \$ 20 | \$ 13 |

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

Director Restricted Shares

Under the Amended and Restated Non-Employee Director Stock Plan (the “Amended Plan”), approved in May 2007 and further amended in February 2013 and January 2016, up to 360 common shares may be issued. As of December 31, 2021, approximately 75 shares remain available for grant under the Amended Plan.

Under the Amended Plan, each non-employee director receives an annual grant of restricted shares of the Company’s common stock. The restricted shares vest on the earlier of (a) the day immediately prior to the first annual shareholder meeting that occurs after the grant date or (b) one year after the grant date. Each director may elect to defer receipt of the common shares until the director departs from the Company’s Board of Directors. If a director elects to defer receipt, the Company will issue deferred stock units in which the director does not have voting rights or other incidents of ownership until the shares are issued. Each deferred stock unit is eligible for a dividend equivalent in the form of additional restricted stock units for each cash dividend paid by the Company.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Director restricted share transactions for the year ended December 31, 2021 were as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|-------------------------------|------------------|----------------------------------------------|
| Outstanding as of January 1 | 24 | \$ 42.88 |
| Granted | 17 | 93.39 |
| Vested | (26) | 47.12 |
| Forfeited | — | — |
| Outstanding as of December 31 | <u>15</u> | <u>\$ 93.46</u> |

| | Year Ended | | |
|---------------------------------------------------------|----------------------|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Share-based compensation expense for restricted shares | \$ 1,436 | \$ 1,026 | \$ 970 |
| Excess tax benefit for the vesting of restricted shares | \$ 342 | \$ 253 | \$ 244 |

The total fair value of restricted shares that vested during 2021, 2020 and 2019 was \$2,514, \$771, and \$970, respectively. As of December 31, 2021, the total share-based compensation expense related to the restricted shares not yet recognized was \$527, and the weighted average period over which it is expected to be recognized is less than one year.

7. Income Taxes

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various states and Canada. With a few exceptions, the Company is no longer subject to U.S. federal, state and local, or Canadian examinations by tax authorities for years before 2014.

The provision for income taxes by location of the taxing jurisdiction for the years ended December 31, 2021, 2020 and 2019 consisted of the following:

| | 2021 | 2020 | 2019 |
|-----------|------------------|------------------|------------------|
| Current: | | | |
| Federal | \$ 29,533 | \$ 11,914 | \$ 15,612 |
| State | 7,918 | 3,907 | 4,681 |
| | <u>37,451</u> | <u>15,821</u> | <u>20,293</u> |
| Deferred: | | | |
| Federal | 209 | 922 | 5,766 |
| State | 1,212 | (150) | 1,323 |
| | <u>1,421</u> | <u>772</u> | <u>7,089</u> |
| | <u>\$ 38,872</u> | <u>\$ 16,593</u> | <u>\$ 27,382</u> |

A reconciliation of income taxes computed at the U.S. federal statutory income tax rate (21.0% for 2021, 2020 and 2019) to the provision for income taxes reflected in the Company's Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020 and 2019 is as follows:

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------------------------------------------------|------------------|------------------|------------------|
| Tax expense at the statutory rate | \$ 32,542 | \$ 14,566 | \$ 23,038 |
| State income taxes, net of federal income tax benefit | 7,448 | 2,602 | 4,594 |
| Share-based compensation | (933) | (298) | (587) |
| Other permanent differences | 31 | 48 | (5) |
| Non-deductible compensation | 293 | 751 | 421 |
| Change in income tax contingency reserves | (260) | (400) | — |
| Federal income tax credits | (76) | (37) | (83) |
| Other | (173) | (639) | 4 |
| | <u>\$ 38,872</u> | <u>\$ 16,593</u> | <u>\$ 27,382</u> |

The significant components of the deferred tax assets and liabilities at December 31, 2021 and 2020 were as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------------------------|------------------------------|------------------------------|
| Deferred tax assets: | | |
| Accrued expenses | \$ 14,837 | \$ 12,095 |
| Allowance for doubtful accounts | 839 | 577 |
| Operating lease liabilities | 37,967 | 31,309 |
| Share-based compensation | 3,769 | 3,554 |
| Accruals for income tax contingencies | 154 | 166 |
| Capital loss carryforwards | 4,230 | — |
| Net operating loss carryforwards | 647 | 671 |
| Total gross deferred tax assets | 62,443 | 48,372 |
| Valuation allowance | (4,625) | (395) |
| Total net deferred tax assets | 57,818 | 47,977 |
| Deferred tax liabilities: | | |
| Tax over book depreciation | 27,880 | 24,964 |
| Prepaid expenses | 5,615 | 6,499 |
| Operating lease right-of-use assets | 38,010 | 31,277 |
| Goodwill | 20,502 | 17,368 |
| Intangible assets | 9,218 | 9,855 |
| Total deferred tax liabilities | 101,225 | 89,963 |
| Net deferred tax liabilities | <u>\$ (43,407)</u> | <u>\$ (41,986)</u> |

The Company paid income taxes, net of refunds, of \$35,766, \$13,463 and \$19,959 for the years ended December 31, 2021, 2020 and 2019, respectively.

The sale of Pool resulted in a capital loss in the amount of \$4,230, which expires in 2026. The Company concluded that it was more likely than not that the capital loss carryforward will not be realized and therefore, established a valuation allowance of \$4,230 to reserve against its capital loss carryforward. The Company also maintains a valuation allowance to reserve against its state net operating loss carryforwards of \$395. A valuation allowance is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company assessed the likelihood that its deferred tax assets would be recovered from estimated future taxable income and available tax planning strategies. In making this assessment, all available evidence was considered including economic climate, as well as reasonable tax planning strategies. The Company believes it is more likely than not that it will realize its remaining net deferred tax assets, net of the valuation allowance, in future years.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

As a result of the Towne acquisition, the Company had approximately \$2,000 of federal net operating losses which the Company fully utilized in 2020.

As of December 31, 2021, the Company had state net operating loss carryforwards of \$13,819, and as of both December 31, 2020 and 2019, the Company had state net operating loss carryforwards of \$16,926, that expire between 2021 and 2032. The state net operating loss carryforwards are limited to the future taxable income of separate legal entities. The valuation allowance on the state net operating loss carryforwards stayed the same in 2021, 2020 and 2019.

A reconciliation of the beginning and ending amount of unrecognized tax benefits as of and during the years ended December 31, 2021 and 2020 is as follows:

| | | |
|---------------------------------------------------------|----|-------|
| Balance at December 31, 2019 | \$ | 987 |
| Reductions for settlement with state taxing authorities | | (466) |
| Additions for tax positions of current year | | 23 |
| Balance at December 31, 2020 | | 544 |
| Reductions for settlement with state taxing authorities | | (326) |
| Additions for tax positions of current year | | 23 |
| Balance at December 31, 2021 | \$ | 241 |

The Company recognizes income tax benefits from uncertain tax positions where the realization of the ultimate benefit is uncertain. At December 31, 2021 and 2020, the Company had \$241 and \$544, respectively, of unrecognized income tax benefits, all of which would affect the Company's effective tax rate if recognized. At December 31, 2021 and 2020, the Company had accrued interest and penalties related to unrecognized tax benefits of \$88 and \$168, respectively. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in "Interest expense, net" and "Other operating expenses", respectively.

8. Leases

The Company leases certain land, buildings, equipment and office equipment under finance and operating leases. Equipment includes tractors, straight trucks, forklifts and trailers. Equipment under a finance lease is amortized over the shorter of the lease term or its estimated useful life.

The Company subleases certain facilities to independent third parties. Since the Company is not relieved of its obligation under these leases, a right-of-use lease asset and corresponding operating lease liability is recorded. Sublease rental income was \$2,050, \$1,628 and \$1,634 in 2021, 2020 and 2019, respectively. In 2022, the Company expects to receive aggregate future minimum rental payments under noncancelable subleases of approximately \$1,058. Noncancelable subleases expire between 2022 and 2028.

The Company does not recognize a right-of-use asset or lease liability with respect to operating leases with an initial lease term of 12 months or less, and recognizes expense on such leases on a straight-line basis over the lease term. The Company does not account for lease components separately from nonlease components. The Company has certain leases that include one or more options to renew, with renewal periods ranging from one to 25 years. The exercise of the lease renewal options is at the discretion of the Company and is included in the determination of the right-of-use asset and operating lease liability when the option is reasonably certain of being exercised. The depreciable life of right-of-use assets and leasehold improvements is limited by the expected lease term. The Company has certain lease agreements for equipment that include variable rental payments based on estimated mileage. The variable rental payments are adjusted for periodically based on actual mileage. In addition, the Company has certain lease agreements that include variable rental payments that are adjusted periodically for inflation based on the index rate as defined by the applicable government authority. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

The Company has contracts with Leased Capacity Providers. Since the contracts explicitly identify the tractors operated by the Leased Capacity Providers, the Company determined the contracts contain an embedded lease. The compensation of Leased Capacity Providers, as specified in the contract, is variable based upon a rate per shipment and a rate

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

per mile. The variable amounts are excluded from the calculation of the right-of-use lease asset and corresponding operating lease liability and are disclosed as variable lease costs. Variable lease costs related to the embedded leases were \$353,347, \$325,542 and \$328,282, for the years ended December 31, 2021, 2020, and 2019, respectively, and were recorded in "Purchased transportation" in the Consolidated Statements of Comprehensive Income.

Total lease assets and liabilities as of December 31, 2021 and 2020 were as follows:

| Lease Assets | Classification | December 31, 2021 | December 31, 2020 |
|-------------------------------------|-------------------------------------------------------|-------------------|-------------------|
| Operating lease right-of-use assets | Operating lease right-of-use assets | \$ 148,198 | \$ 123,338 |
| Finance lease assets | Property and equipment, net ¹ | 13,797 | 6,642 |
| Total leased assets | | <u>\$ 161,995</u> | <u>\$ 129,980</u> |
| Lease Liabilities | Classification | December 31, 2021 | December 31, 2020 |
| Current: | | | |
| Operating | Current portion of operating lease liabilities | \$ 47,532 | \$ 43,680 |
| Finance | Current portion of debt and finance lease obligations | 4,588 | 1,801 |
| Noncurrent: | | | |
| Operating | Operating lease liabilities, less current portion | 101,409 | 80,346 |
| Finance | Finance lease obligations, less current portion | 9,571 | 5,010 |
| Total leased liabilities | | <u>\$ 163,100</u> | <u>\$ 130,837</u> |

¹ Finance lease assets are recorded net of accumulated depreciation of \$ 4,822 and \$ 2,256 as of December 31, 2021 and 2020, respectively.

Total lease cost for 2021 and 2020 was as follows:

| | Classification | Year Ended | |
|--------------------------------|-------------------------------------------------------------------------|----------------------|----------------------|
| | | December 31, 2021 | December 31, 2020 |
| Operating lease cost | Operating leases | \$ 54,561 | \$ 50,561 |
| Short-term lease cost | Operating leases | 14,773 | 8,921 |
| Variable lease cost | Purchased transportation, operating leases and other operating expenses | 367,779 | 339,148 |
| Sublease income | Operating revenue | (2,050) | (1,628) |
| Finance lease cost: | | | |
| Amortization of leased assets | Depreciation and amortization | 3,381 | 1,560 |
| Interest on leased liabilities | Interest expense, net | 301 | 197 |
| Total lease cost | | <u>\$ 438,745</u> | <u>\$ 398,759</u> |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Future minimum lease payments under noncancelable operating and finance leases with remaining terms greater than one year as of December 31, 2021 were as follows:

| | Operating Leases | Finance Leases |
|------------------------------------------------|-------------------------|-----------------------|
| 2022 | \$ 52,832 | \$ 4,902 |
| 2023 | 39,558 | 4,468 |
| 2024 | 31,029 | 3,545 |
| 2025 | 20,261 | 1,331 |
| 2026 | 12,371 | 313 |
| Thereafter | 15,745 | 449 |
| Total minimum lease payments | 171,796 | 15,008 |
| Less: imputed interest | (22,855) | (849) |
| Present value of future minimum lease payments | 148,941 | 14,159 |
| Less: current portion of lease obligations | (47,532) | (4,588) |
| Long-term lease obligations | <u>\$ 101,409</u> | <u>\$ 9,571</u> |

The following table summarizes the weighted-average remaining lease term and weighted average discount rate:

| | December 31, 2021 | December 31, 2020 |
|---------------------------------------------------|--------------------------|--------------------------|
| Weighted average remaining lease term (in years): | | |
| Operating leases | 4.1 | 3.7 |
| Finance leases | 3.5 | 4.0 |
| Weighted average discount rate: | | |
| Operating leases | 2.9 % | 3.2 % |
| Finance leases | 2.6 % | 3.1 % |

The following table summarizes the supplemental cash flow information for 2021 and 2020:

| | Year Ended | |
|--------------------------------------------------------------------------|--------------------------|--------------------------|
| | December 31, 2021 | December 31, 2020 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 53,981 | \$ 50,263 |
| Operating cash flows from finance leases | 301 | 197 |
| Financing cash flows from finance leases | 2,423 | 1,446 |
| Right-of-use assets obtained in exchange for operating lease liabilities | \$ 74,736 | \$ 72,454 |
| Leased assets obtained in exchange for finance lease obligations | 9,673 | 1,927 |

9. Commitments and Contingencies

Commitments

As of December 31, 2021, the Company had unconditional purchase obligations of \$3,172 to purchase forklifts and other equipment during 2022.

Contingencies

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

The Company is party to various legal claims and actions incidental to its business, including claims related to vehicle liability, workers' compensation, property damage and employee medical benefits. The Company accrues for the uninsured portion of contingent losses from these and other pending claims when it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Based on the knowledge of the facts, the Company believes the resolution of claims and pending litigation, taking into account existing reserves, will not have a material adverse effect on our consolidated financial statements. Moreover, the results of complex legal proceedings are difficult to predict, and the Company's view of these matters may change in the future as the litigation and related events unfold.

Insurance coverage provides the Company with primary and excess coverage for claims related to vehicle liability, workers' compensation, property damage and employee medical benefits.

For vehicle liability, the Company retains a portion of the risk. Below is a summary of the Company's risk retention on vehicle liability insurance coverage maintained by the Company through \$10,000:

| | Company Risk Retention | Frequency | Layer | Policy Term |
|------------------------------------------|---------------------------|------------------------------------|------------------------|---------------------------|
| Expedited Freight¹ | | | | |
| LTL business | \$ 3,000 | Occurrence/Accident ² | \$0 to \$3,000 | 10/1/2021 to 10/1/2022 |
| Truckload business | \$ 2,000 | Occurrence/Accident ² | \$0 to \$2,000 | 10/1/2021 to 10/1/2022 |
| LTL business | \$ 6,000 | Policy Term Aggregate ³ | \$5,000 | 10/1/2021 to 10/1/2022 |
| LTL, Truckload and Intermodal businesses | \$ 2,500 | Policy Term Aggregate ³ | \$5,000 to \$10,000 | 10/1/2021 to 10/1/2022 |
| Intermodal | \$ 1,000 | Occurrence/Accident ² | \$0 to \$1,000 | 10/1/2021 to 10/1/2022 |

¹ Excluding the Final Mile business, which is primarily a brokered service.

² For each and every accident, the Company is responsible for damages and defense up to these amounts, regardless of the number of claims associated with any accident.

³ During the Policy Term, the Company is responsible for damages and defense within the stated Layer up to the stated, aggregate amount of Company Risk Retention before insurance will respond.

Also, from time to time, when brokering freight, the Company may face claims for the "negligent selection" of outside, contracted carriers that are involved in accidents, and the Company maintains third-party liability insurance coverage with a \$100 deductible per occurrence for most of its brokered services. Additionally, the Company maintains workers' compensation insurance with a self-insured retention of \$500 per occurrence.

Insurance coverage in excess of the self-insured retention limit is an important part of the Company's risk management process. The Company accrues for the costs of the uninsured portion of pending claims within the self-insured retention based on the nature and severity of individual claims and historical claims development trends. The Company believes the recorded reserves are sufficient for all incurred claims up to the self-insured retention limits, including an estimate for claims incurred but not reported. However, estimating the number and severity of claims, as well as related judgment or settlement amounts is inherently difficult, and the Company may fail to establish sufficient insurance reserves and adequately estimate for future insurance claims. Since the ultimate resolution of outstanding claims as well as claims incurred but not reported is uncertain, it is possible that the reserves recorded for these losses could change materially in the near term. Although, an estimate cannot be made of the range of additional loss that is at least reasonably possible. During the year ended December 31, 2019, the Company recorded a \$7,500 reserve for a vehicular claim related to one incident.

On December 15, 2020, the Company detected a Ransomware Incident impacting the Company's operational and information technology systems, which caused service delays for the Company's customers. We incurred unexpected costs and impacts from the Ransomware Incident, and may in the future, incur costs in connection with this Ransomware Incident. Any failure to comply with data privacy, security or other laws and regulations could result in claims, legal or regulatory proceedings, inquires or investigations.

10. Employee Benefit Plan

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

The Company sponsors a qualified defined contribution plan covering substantially all employees. Under the defined contribution plan, the Company contributes 25.0% of the employee's contribution up to a maximum of 6.0% of annual compensation, subject to certain limits. The Company contributed \$2,091, \$1,683 and \$1,554 for the years ended December 31, 2021, 2020 and 2019, respectively.

11. Fair Value of Financial Instruments

The Company categorizes its assets and liabilities into one of three levels based on the assumptions used in valuing the asset or liability. Estimates of fair value financial assets and liabilities are based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Model-derived valuations in which one or more significant inputs are unobservable.

As previously discussed in Note 3, *Acquisitions*, the estimated fair value of the earn-out liability was determined using either the Monte Carlo simulation model or the option pricing method. The significant inputs used to calculate the estimated fair value are derived from a combination of observable and unobservable market data. Observable inputs used in either the Monte Carlo simulation model or the option pricing method include the risk-free rate and the revenue volatility while unobservable inputs include the revenue discount rate and the estimated revenue projections.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020 are summarized below:

| | As of December 31, 2021 | | | |
|--------------------|-------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Earn-out liability | \$ — | \$ — | \$ 385 | \$ 385 |

| | As of December 31, 2020 | | | |
|--------------------|-------------------------|---------|----------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Earn-out liability | \$ — | \$ — | \$ 6,865 | \$ 6,865 |

Cash and cash equivalents, accounts receivable, other receivables, and accounts payable are valued at their carrying amounts in the Company's Consolidated Balance Sheets, due to the immediate or short-term maturity of these financial instruments.

The carrying amount of long-term debt under the Company's credit facility approximates fair value based on the borrowing rates currently available to the Company for a loan with similar terms and average maturity.

As of December 31, 2021, the estimated fair value of the Company's finance lease obligation, based on current borrowing rates, was \$14,312, compared to its carrying value of \$14,159. As of December 31, 2020, the estimated fair value of the Company's finance lease obligation, based on current borrowing rates, was \$7,009, compared to its carrying value of \$6,811.

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis. Assets are recorded at fair value on a nonrecurring basis as a result of an impairment charge or assets held for sale. The losses on assets measured at fair value on a nonrecurring, discontinued operation basis are summarized below:

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

| | 2021 | 2020 |
|----------------------------------------------------------|----------|--------|
| Earn-out asset impairment charge ¹ | \$ 6,967 | \$ — |
| Goodwill impairment charge ¹ | — | 5,406 |
| Valuation allowance on assets held for sale ² | — | 22,978 |

¹ See Note 2, *Discontinued Operation and Held for Sale*.

12. Segment Reporting

The Company has two reportable segments: Expedited Freight and Intermodal. The Company evaluates segment performance based on income from operations. Segment results include intersegment revenues and shared costs. Costs related to the corporate headquarters, shared services and shared assets, such as trailers, are allocated to each segment based on usage. Shared assets are not allocated to each segment, but rather the shared assets, such as trailers, are allocated to the Expedited Freight segment. Corporate includes revenues and expenses as well as assets that are not attributable to any of the Company's reportable segments.

The accounting policies applied to each segment are the same as those in Note 1, *Operations and Summary of Significant Accounting Policies*, except for certain self-insurance loss reserves related to vehicle liability and workers' compensation. Each segment is allocated an insurance premium and deductible that corresponds to the self-insured retention limit for that particular segment. Any self-insurance loss exposure beyond the deductible allocated to each segment is recorded in Corporate.

For the year ended December 31, 2020, the Company recognized revenue of approximately \$138,669 from one customer, which accounted for more than 10% of the Company's consolidated revenues from continuing operations in the Consolidated Statements of Comprehensive Income and was included in the Expedited Freight reportable segment. No single customer accounted for more than 10% of the Company's consolidated revenues from continuing operations for the years ended December 31, 2021 or December 31, 2019.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

Segment results from operations for the years ended December 31, 2021, 2020 and 2019 were as follows:

| Year Ended December 31, 2021 | Expedited Freight | Intermodal | Corporate | Eliminations | Consolidated - Continuing Operations |
|------------------------------------------|-------------------|------------|-----------|--------------|--------------------------------------------|
| External revenues | \$ 1,373,313 | \$ 289,171 | \$ — | \$ — | \$ 1,662,484 |
| Intersegment revenues | 957 | 43 | — | (1,057) | (57) |
| Depreciation | 21,623 | 3,538 | 63 | — | 25,224 |
| Amortization | 7,219 | 7,109 | — | — | 14,328 |
| Income (loss) from continuing operations | 139,321 | 30,117 | (10,137) | — | 159,301 |
| Purchases of property and equipment | 36,364 | 2,745 | — | — | 39,109 |

| Year Ended December 31, 2020 | Expedited Freight | Intermodal | Corporate | Eliminations | Consolidated - Continuing Operations |
|------------------------------------------|-------------------|------------|-----------|--------------|--------------------------------------------|
| External revenues | \$ 1,070,106 | \$ 199,567 | \$ — | \$ — | \$ 1,269,673 |
| Intersegment revenues | 2,195 | 36 | — | (2,331) | (100) |
| Depreciation | 19,824 | 3,693 | 120 | — | 23,637 |
| Amortization | 7,203 | 6,285 | — | — | 13,488 |
| Income (loss) from continuing operations | 71,266 | 16,391 | (13,733) | — | 73,924 |
| Purchases of property and equipment | 19,820 | 448 | — | — | 20,268 |

| Year Ended December 31, 2019 | Expedited Freight | Intermodal | Corporate | Eliminations | Consolidated - Continuing Operations |
|------------------------------------------|-------------------|------------|-----------|--------------|--------------------------------------------|
| External revenues | \$ 997,877 | \$ 217,606 | \$ — | \$ — | \$ 1,215,483 |
| Intersegment revenues | 3,057 | 105 | — | (3,458) | (296) |
| Depreciation | 23,087 | 3,086 | 38 | — | 26,211 |
| Amortization | 4,335 | 5,848 | — | — | 10,183 |
| Income (loss) from continuing operations | 103,640 | 23,679 | (14,903) | — | 112,416 |
| Purchases of property and equipment | 21,290 | 717 | — | — | 22,007 |

| Total Assets | | | | | |
|-------------------------|------------|------------|-----------|----------|--------------|
| As of December 31, 2021 | \$ 777,987 | \$ 249,467 | \$ 90,588 | \$ (219) | \$ 1,117,823 |
| As of December 31, 2020 | 706,396 | 183,073 | 84,370 | (545) | 973,294 |

A reconciliation from the segment information to the consolidated balances for revenues and total assets is set forth below:

| | Year Ended | | |
|------------------------------------------------|----------------------|----------------------|----------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Intersegment revenues - continuing operations | \$ (57) | \$ (100) | \$ (296) |
| Intersegment revenues - discontinued operation | 57 | 100 | 296 |
| Consolidated intersegment revenues | \$ — | \$ — | \$ — |

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2021
(In thousands, except per share data)

| | December 31, 2021 | December 31, 2020 |
|----------------------------------------|------------------------------|------------------------------|
| Segment assets - continuing operations | \$ 1,117,823 | \$ 973,2 |
| Current assets held for sale | — | 21,0 |
| Noncurrent assets held for sale | — | 53,0 |
| Consolidated total assets | <u>\$ 1,117,823</u> | <u>\$ 1,047,3</u> |

Revenue from the individual services within the Expedited Freight segment for the years ended December 31, 2021, 2020 and 2019 were as follows:

| | Year Ended | | |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Expedited Freight revenues: | | | |
| Network | \$ 840,429 | \$ 625,517 | \$ 675,3 |
| Truckload | 223,026 | 194,058 | 196,8 |
| Final Mile | 275,201 | 224,475 | 100,5 |
| Other | 35,614 | 28,251 | 28,2 |
| Total | <u>\$ 1,374,270</u> | <u>\$ 1,072,301</u> | <u>\$ 1,000,9</u> |

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

| | Balance at Beginning of Period | Additions | | Deductions | Balance at End of Period |
|------------------------------------------------|--------------------------------|-------------------------------|------------------------------------|-----------------------|--------------------------|
| | | Charged to Costs and Expenses | Charged to Other Operating Revenue | | |
| Year ended December 31, 2021 | | | | | |
| Allowance for doubtful accounts | \$ 1,268 | \$ 1,670 | \$ — | \$ 1,204 ² | \$ 1,734 |
| Allowance for revenue adjustments ¹ | 1,005 | — | 7,943 | 7,422 ³ | 1,526 |
| Deferred tax valuation allowance | 395 | 4,230 | — | — | 4,625 |
| | 2,668 | 5,900 | 7,943 | 8,626 | 7,885 |
| Year ended December 31, 2020 | | | | | |
| Allowance for doubtful accounts | \$ 1,316 | \$ 567 | \$ — | \$ 615 ² | \$ 1,268 |
| Allowance for revenue adjustments ¹ | 737 | — | 4,751 | 4,483 ³ | 1,005 |
| Deferred tax valuation allowance | 395 | — | — | — | 395 |
| | 2,448 | 567 | 4,751 | 5,098 | 2,668 |
| Year ended December 31, 2019 | | | | | |
| Allowance for doubtful accounts | \$ 1,290 | \$ 752 | \$ — | \$ 726 ² | \$ 1,316 |
| Allowance for revenue adjustments ¹ | 755 | — | 3,339 | 3,357 ³ | 737 |
| Deferred tax valuation allowance | 395 | — | — | — | 395 |
| | 2,440 | 752 | 3,339 | 4,083 | 2,448 |

¹ Represents an allowance for revenue adjustments resulting from future billing rate changes.

² Represents uncollectible accounts written off, net of recoveries.

³ Represents adjustments to billed accounts receivable.

EXHIBIT INDEX

| No. | Exhibit |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490)) |
| 3.2 | Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2017 (File No. 0-22490)) |
| 4.1 | Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 filed with the Securities and Exchange Commission on November 16, 1998 (File No. 0-22490)) |
| 4.2 | Description of Capital Stock |
| 10.1 | * Forward Air Corporation 2005 Employee Stock Purchase Plan (incorporated herein by reference to the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 20, 2005 (File No. 0-22490)) |
| 10.2 | Air Carrier Certificate, effective August 28, 2003 (incorporated herein by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490)) |
| 10.3 | Form of Director Indemnification Agreement (incorporated herein by reference to Exhibit 10.4 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission on February 23, 2018 (File No. 0-22490)) |
| 10.4 | * 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)) |
| 10.5 | * 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)) |
| 10.6 | 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)) |
| 10.7 | * 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)) |
| 10.8 | * 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)) |
| 10.9 | * 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)) |
| 10.10 | * 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)) |
| 10.11 | * 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)) |
| 10.12 | * 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) |
| 10.13 | * 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) |
| 10.14 | * 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) |
| 10.15 | * 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) |
| 10.16 | * 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) |

| | | |
|--------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.17 | * | 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) |
| 10.18 | * | Forward Air Corporation 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 (File No. 0-22490)) |
| 10.19 | * | 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 (File No. 02-22490)) |
| 10.20 | | 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) |
| 10.20A | | First Amendment dated April 16, 2020 to Credit Agreement dated September 29, 2017 by and among Forward Air Corporation and Forward Air, Inc., as borrowers, certain subsidiaries of the borrowers as guarantors, Bank of America, N.A., as administrative agent and lender, U.S. Bank National Association, as lender, and the other lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 1, 2020) |
| 10.20B | | Second Amendment dated July 20, 2021 to Credit Agreement dated September 29, 2017 by and among Forward Air Corporation and Forward Air, Inc., as borrowers, certain subsidiaries of the borrowers as guarantors, Bank of America, N.A., as administrative agent and lender, U.S. Bank National Association, as lender and the other lenders part 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 August 10, 2021) |
| 10.20C | | Third Amendment, dated December 29, 2021, to the Credit Agreement dated September 29, 2017 by and among Forward Air Corporation and Forward Air, Inc., as borrowers, certain subsidiaries of the borrowers as guarantors, Bank of America, N.A., as administrative agent and lender, U.S. Bank National Association, as lender and the other lenders part 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 January 5, 2022) |
| 10.21 | * | Form of CEO Nonqualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 26, 2018) |
| 10.22 | * | Form of CEO Performance Share Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 26, 2018) |
| 10.23 | * | Form of CEO Restricted Stock Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 26, 2018) |
| 10.24 | * | Employment Agreement, dated June 6, 2018, between Forward Air Corporation and Thomas Schmitt (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 June 12, 2018) |
| 10.25 | * | Restrictive Covenants Agreement, dated June 6, 2018, between Forward Air Corporation and Thomas Schmitt (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 June 12, 2018) |
| 10.26 | * | Waiver and Acknowledgment, dated June 11, 2018 between Forward Air Corporation and Bruce Campbell (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 June 12, 2018) |
| 10.27 | | Consulting Agreement effective May 7, 2019, between Forward Air Corporation and Bruce A. Campbell (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 25, 2019) |
| 10.28 | | Form of Performance Share Agreement (Total Shareholder Return) under the registrant's 2016 Omnibus Incentive Compensation Plan (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 25, 2019) |
| 10.29 | | Form of Performance Share Agreement (EBITDA per Share) under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 25, 2019) |
| 10.30 | * | Scott E. Schara Offer Letter, dated as of July 23, 2020 (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 July 27, 2020) |
| 10.31 | * | Amended and Restated Consulting Agreement effective July 28, 2020, between Forward Air Corporation and Matthew J. Jewell (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 31, 2020) |
| 10.32 | | Advisory Agreement effective April 5, 2021, between Forward Air Corporation and Michael J. Morris (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 4, 2021) |

| | |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.33 | Amendment No. 1 dated October 29, 2021 to Advisory Agreement, dated October 29, 2021, between Forward Air Corporation and Michael J. Morris (incorporated herein by reference to Exhibit 104 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 8, 2021) |
| 10.34 | Rebecca J. Garbrick Offer Letter dated as of June 21, 2021 (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 June 25, 2021 (File No. 0-22490)) |
| 10.35 | Form of CEO Nonqualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan |
| 10.36 | Form of Non-Qualified Stock Option Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan |
| 10.37 | Form of Performance Share Agreement (Total Shareholder Return) under the registrant's 2016 Omnibus Incentive Compensation Plan |
| 10.38 | * Forward Air Corporation Executive Severance and Change in Control Plan Amended and Restated, effective as of October 25, 2021 |
| 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 |
| 101.INS | The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive File (formatted in Inline XBRL and contained in Exhibit 101). |

*Denotes a management contract or compensatory plan or arrangement.

DESCRIPTION OF FORWARD AIR'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Description of Capital Stock

The following description sets forth certain material terms and provisions Forward Air Corporation's securities that are registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As of the date of the Annual Report on Form 10-K of which this exhibit is a part, Forward Air Corporation (the "Company") has one class of securities registered under Section 12 of the Exchange Act: Forward Air, Inc.'s common stock, par value \$0.01 per share.

General

The following description summarizes the rights of holders of the Company's capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this "Description of Capital Stock," you should refer to our Restated Charter (the "Restated Charter") and Amended and Restated Bylaws, ("Amended and Restated Bylaws"), which are included, or incorporated by reference, as exhibits to our Annual Report on Form 10-K, and to the applicable provisions of Tennessee law. Our authorized capital stock consists of 55,000,000 shares, of which 50,000,000 shares are designated common stock, \$0.01 par value and 5,000,000 shares are designated preferred stock, \$0.01 par value. As of December 31, 2019, 27,850,233 shares of our common stock were outstanding. We had no outstanding preferred stock. Our common stock is listed on the Nasdaq Stock Market LLC under the symbol "FWRD."

Description of Common Stock

Rights Related to Dividends and Distributions

Subject to preferences that may apply to any shares of preferred stock that are outstanding at the time, the holders of our common stock are entitled to receive, to the extent permitted by law and to the extent the Board of Directors shall determine, such dividends as may be declared from time to time by the Board of Directors. Further, subject to preferences that may apply to any shares of preferred stock that are outstanding at the time, in the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of the common stock shall be entitled to receive such of the remaining assets of the Company of whatever kind available for distribution to the extent the Board of Directors shall determine.

Voting Rights

Except as may be otherwise required by law or by the Restated Charter, each holder of common stock has one vote in respect of each share of such stock held by such shareholder on all matters voted upon by the shareholders.

Preemptive Rights

No holder of our common stock has any preferential or preemptive right to subscribe for, purchase or receive any shares of stock of the Company of any class, now or hereafter authorized, or any options or warrants for such shares, or any rights to subscribe to or purchase such shares, or any securities convertible into or exchangeable for such shares, which may at any time or from time to time be issued, sold or offered for sale by the Company.

Description of Preferred Stock

Shares of our preferred stock may be divided and issued in one or more series at such time or times and for such consideration as the Board of Directors may determine, all shares of any one series is of equal rank and identical in all respects. The Board of Directors may determine the powers, preferences, and rights of the shares of such series, and the qualifications, limitations or restrictions, thereof, to the full extent permitted by the laws of the State of Tennessee, which might include some or all of:

- the rate of dividends, if any, and whether such dividends shall be noncumulative, cumulative to the extent earned, or cumulative and, if cumulative, from which date or dates;
-

- whether the shares will be redeemable and, if so, the terms and conditions of such redemption;
- whether there shall be a sinking fund for the redemption;
- the rights to which the holders of the shares shall be entitled in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Company, and the priority of payment of shares in any such event;
- whether the shares shall be convertible into or exchangeable for shares of any other class or any other series and the terms thereof; and
- all other preferences of any series of preferred stock in the same manner as provided for in the issuance of preferred stock, so long as no shares of such series are outstanding at such time.

The shares of preferred stock will have no voting power or voting rights with respect to any matter whatsoever, except as may be otherwise required by law or may be provided in any amendment to our Restated Charter creating the series of which such shares are a part. The Board of Directors is authorized to make any change in the designations, terms, limitations or relative rights or preferences of any series of preferred stock in the same manner as provided for in the issuance of preferred stock, so long as no shares of such series are outstanding at such time.

Election of Directors

Our Amended and Restated Bylaws, provide that each member of our board of directors is elected annually to a one year term and shall hold office until the next annual meeting of shareholders and until such person's successor is elected and qualified.

Our Amended and Restated Bylaws also provide that the number of directors may be increased or decreased by action of the board of directors or shareholders. Vacancies on the board of directors may be filled by vote of the board of directors. The overall effect of these provisions may be to prevent a person or entity from seeking to acquire control of us through an increase in the number of directors on our board of directors and the election of designated nominees to fill newly created vacancies.

Anti-Takeover Effects of our Restated Charter and Amended and Restated Bylaws

Our Restated Charter and Amended and Restated Bylaws have provisions that could have the effect of making it more difficult for somebody who wanted to take control of us to do so. They include:

Advance Notice Requirements. A requirement that shareholders give advance notice of their intention to nominate candidates for election as directors (and produce the required information as set forth in our Amended and Restated Bylaws) or to bring other business before a meeting of shareholders.

Limit on Shareholder Ability to Nominate Candidates for Election as Directors or Call a Special Meeting of Shareholders. In order to be able to nominate a candidate for election or re-election to our Board of Directors or call a special meeting of shareholders, a person must prove eligibility to submit a shareholder proposal under paragraph (b) of Rule 14a-8 under the Securities Act of 1934, as amended, or any successor rule.

Requirement for Calling of Special Meetings of Shareholders Special meetings of our shareholders may be called by shareholders only upon the proper written request of the holders of at least ten percent of all the issued and outstanding shares of any class entitled to vote on the action proposed to be taken.

Preferred Stock. Our Board of Directors is authorized to cause us to issue, without a shareholder vote, preferred stock, which could entitle holders to voting or other rights or preferences that could impede the success of any attempt to acquire us.

Board Authority to Amend Bylaws. Our Board of Directors has the authority to make, alter, amend or repeal our Amended and Restated Bylaws without the approval of our shareholders, but our Amended and Restated Bylaws adopted by our Board of Directors may be altered, amended or repealed by the affirmative vote of a majority of our shareholders entitled to vote in the election of directors.

Limitations on Liability and Indemnification of Officers and Directors

The Tennessee Business Corporation Act authorizes corporations to limit or eliminate the personal liability of directors to companies and their shareholders for monetary damages for breaches of directors' fiduciary duties, under certain circumstances and subject to certain exceptions. Our Restated Charter includes a provision that eliminates the personal liability

of directors for monetary damages to us or our shareholders for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Tennessee Business Corporation Act. Our Restated Charter provides that we shall have the power to indemnify any director, officer, employee, agent or any other person who is serving at our request in that capacity for another entity to the fullest extent permitted by Tennessee law. Our Amended and Restated Bylaws generally provide that we shall indemnify and pay or reimburse certain expenses, to our directors and officers and any person that served as a director, officer or employee of any other enterprise at our request, to the fullest extent permitted by law. We also are authorized to carry insurance to protect the Company and any director, officer and employee, to the fullest extent permitted by law.

The Tennessee Business Corporation Act provides that a corporation may indemnify any of its directors and officers against liability incurred in connection with a proceeding if: (a) such person acted in good faith; (b) in the case of conduct in an official capacity with the corporation, the person reasonably believed such conduct was in the corporation's best interests; (c) in all other cases, the person reasonably believed that the person's conduct was at least not opposed to the best interests of the corporation; and (d) in connection with any criminal proceeding, such person had no reasonable cause to believe the person's conduct was unlawful.

In actions brought by or in the right of the corporation, however, the Tennessee Business Corporation Act provides that no indemnification may be made if the director or officer was adjudged to be liable to the corporation. The Tennessee Business Corporation Act also provides that in connection with any proceeding charging improper personal benefit to an officer or director, no indemnification may be made if such officer or director is adjudged liable on the basis that such personal benefit was improperly received.

Tennessee Anti-Takeover Statutes

Under the Tennessee Business Combination Act and subject to certain exceptions, corporations that have elected to be subject to the Tennessee Business Combination Act may not engage in any "business combination" with an "interested shareholder" for a period of five years after the date on which the person became an interested shareholder unless the "business combination" or the transaction which resulted in the shareholder becoming an "interested shareholder" is approved by the corporation's board of directors prior to the date the "interested shareholder" attained that status.

"Business combinations" for this purpose generally include:

- mergers, consolidations, or share exchanges;
- sales, leases, exchanges, mortgages, pledges, or other transfers of assets representing 10% or more of the aggregate market value of consolidated assets, the aggregate market value of our outstanding shares, or our consolidated net income;
- transactions which result in the issuances or transfers of shares from us to the interested shareholder;
- the adoption of plans of liquidation or dissolution proposed by the interested shareholder;
- transactions in which the interested shareholder's proportionate share of the outstanding shares of any class of securities is increased; or
- financing arrangements pursuant to which the interested shareholder, directly or indirectly, receives a benefit, except proportionately as a shareholder.

Subject to certain exceptions, an "interested shareholder" generally is a person who, together with his or her affiliates and associates, owns, or within five years did own, 10% or more of our outstanding voting stock.

After the five-year moratorium, a corporation subject to the foregoing may complete a business combination if the transaction complies with all applicable requirements of our Restated Charter and Amended and Restated Bylaws and applicable Tennessee law and:

- is approved by the holders of at least two-thirds of the outstanding voting stock not beneficially owned by the interested shareholder; or
- meets certain fair price criteria set forth in the Tennessee Business Combination Act

We have elected to not be subject to the Tennessee Business Combination Act. We can give no assurance that we will or will not elect, through a charter or bylaw amendment, to be governed by the Tennessee Business Combination Act in the future.

We also have not elected to be governed by the Tennessee Control Share Acquisition Act which prohibits certain shareholders from exercising in excess of 20% of the voting power in a corporation acquired in a "control share acquisition" unless such voting rights have been previously approved by the disinterested shareholders. We can give no assurance that we will or will not elect, through a charter or bylaw amendment, to be governed by the Tennessee Control Share Acquisition Act in the future.

The Tennessee Greenmail Act prohibits us from purchasing or agreeing to purchase any of our securities, at a price in excess of fair market value, from a holder of 3% or more of our securities who has beneficially owned such securities for less than two years, unless the purchase has been approved by a majority of the outstanding shares of each class of our voting stock or we make an offer of at least equal value per share to all holders of shares of such class. The Tennessee Greenmail Act may make a change of control more difficult.

The Tennessee Investor Protection Act applies to tender offers directed at corporations that have "substantial assets" in Tennessee and that are either incorporated in or have a principal office in Tennessee. Pursuant to the Investor Protection Act, no offeror shall make a takeover offer for an offeree company if the offeror beneficially owns 5% or more of any class of equity securities of the offeree company, any of which was purchased within one year prior to the proposed tender offer, unless the offeror, before making such purchase: (1) makes a public announcement of his or her intention with respect to changing or influencing the management or control of the offeree company; (2) makes a full, fair and effective disclosure of such intention to the person from whom he or she intends to acquire such securities; and (3) files with the Tennessee Commissioner of Commerce and Insurance (the "Commissioner"), and the offeree company a statement signifying such intentions and containing such additional information as may be prescribed by the Commissioner. When the offeror intends to gain control of the offeree company, the registration statement must indicate any plans the offeror has for the offeree. The Commissioner may require additional information concerning the takeover offer and may call for hearings. The Investor Protection Act does not apply to an offer that the offeree company's board of directors recommends to shareholders.

In addition to requiring the offeror to file a registration statement with the Commissioner, the Tennessee Investor Protection Act requires the offeror and the offeree company to deliver to the Commissioner all solicitation materials used in connection with the tender offer. The Investor Protection Act prohibits fraudulent, deceptive, or manipulative acts or practices by either side and gives the Commissioner standing to apply for equitable relief to the Chancery Court of Davidson County, Tennessee, or to any other chancery court having jurisdiction whenever it appears to the Commissioner that the offeror, the offeree company or any of their respective affiliates has engaged in or is about to engage in a violation of the Investor Protection Act. Upon proper showing, the chancery court may grant injunctive relief. The Investor Protection Act further provides civil and criminal penalties for violations.

FORWARD AIR CORPORATION
NOTICE OF GRANT OF NONQUALIFIED STOCK OPTIONS

The Participant has been granted an award (the "*Award*") of nonqualified stock options (each, an "*Option*," and collectively, the "*Options*") to purchase all or any part of the number of common shares (the "*Shares*") set forth below of Forward Air Corporation, a Tennessee corporation (the "*Company*"), pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "*Plan*") and the CEO Nonqualified Stock Option Agreement attached hereto (the "*Agreement*"). Each Option, once vested and exercisable, enables the purchase of one Share from the Company at the option price specified below, subject to the provisions of the Agreement.

ACTIVE 62523578v3

Approved 2/7/22

Participant:
Grant Date:
Number of Options:
Option Price:
Vesting Schedule:

Thomas Schmitt **Employee ID:**
February __, 2022 **Grant No.:**
[_____], subject to adjustment as provided by the Plan.
\$_____ per Share

None of the Options are vested nor exercisable as of the Grant Date, and they are forfeitable until vested. Subject to the terms and conditions described in the Agreement, the Options shall become vested and exercisable in accordance with the schedule below provided that the Performance Condition is first satisfied and the Participant remains continually employed by the Company through the relevant vesting date:

| Vesting Date | Cumulative Percentage of the Options That May Be Exercised |
|---------------------|-------------------------------------------------------------------|
| February __, 2023 | 33-1/3% |
| February __, 2024 | 66-2/3% |
| February __, 2025 | 100% |

The Award Agreement provides additional details regarding vesting of the Options.

For purposes of this Vesting Schedule, satisfaction of the “**Performance Condition**” means the Company’s achievement of any of the following target levels of Income From Operations for the relevant fiscal year of the Company:

| In Fiscal Year: | The Company achieves this target level of Income From Operations: |
|------------------------|--------------------------------------------------------------------------|
| 2022 | 75% of Income From Operations Achieved in Fiscal Year 2021 |
| 2023 | 75% of Income From Operations Achieved in Fiscal Year 2022 |
| 2024 | 75% of Income From Operations Achieved in Fiscal Year 2023 |

For purposes of this Vesting Schedule and the determination of whether the Performance Condition has been satisfied, “**Income From Operations**” means the Income From Operations reported in the Company’s audited Consolidated Statements of Income filed with the Securities and Exchange Commission for the relevant fiscal year. The Options shall terminate in their entirety on the date that the Company files with the Securities and Exchange Commission its audited Consolidated Statements of Income for fiscal year 2024 if the Performance Condition has not been satisfied on or before that date and the Options have not otherwise earlier become vested and exercisable under the terms of the Agreement.

Expiration Date:
Recoupment Policy:

The Options, if not sooner exercised, forfeited or otherwise terminated, expire on _____, 20__.
The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice of Grant of Nonqualified Stock Options and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the

**FORWARD AIR CORPORATION
CEO NONQUALIFIED STOCK OPTION AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the "**Company**"), has granted to the Participant named in the *Notice of Grant of Nonqualified Stock Options* (the "**Grant Notice**") to which this CEO Nonqualified Stock Option Agreement (the "**Agreement**") is attached an Award consisting of stock options (the "**Options**") subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**"), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. **Terminology.** Unless otherwise defined herein, including within the Glossary at the end of this Agreement, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.
2. **Tax Status of Options.** The Options are nonqualified stock options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and this Agreement shall be so construed. The Company does not warrant any particular tax consequences of the Options. Upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Option Price of the Shares and must comply with the provisions of Section 6(f) of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.
3. **Option Price.** The purchase price per Share shall be the "Option Price" as set forth on the Grant Notice, representing one hundred percent (100%) of the Fair Market Value of a Share as determined pursuant to the Plan as of the Grant Date set forth on the Grant Notice.
4. **Term of Option.** The term of the Options shall commence on the Grant Date and all rights to purchase Shares hereunder shall cease at 5:00 p.m. U.S. Eastern Time on the Expiration Date set forth on the Grant Notice, subject to earlier termination as provided in the Plan and this Agreement.
5. **Vesting.**
 - (a) **Vested Status upon Grant Date.** All of the Options are nonvested and forfeitable as of the Grant Date. For clarity, as used in this Agreement, the term "vest" means that the Options become exercisable for the purchase of Shares. The fact that an Option has become vested does not mean or otherwise indicate that you have an unconditional or nonforfeitable right to such Option. A vested Option remains subject to the terms, conditions and forfeiture provisions provided for in the Plan and in this Agreement.
 - (b) **Vesting Schedule.** So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur and the performance condition(s) (if any) set forth on the Grant Notice are satisfied, as further detailed on the Grant Notice, the Options will vest and become exercisable on the vesting dates as set forth in the correlating Grant Notice.
 - (c) **Vesting upon Death or Disability.** All of the Options that have not already vested or been previously forfeited will vest and become exercisable upon your death or termination of Service due to your Disability.
 - (d) **Double-trigger Vesting.** If a Change in Control occurs, the vesting and exercisability of the Options shall not be altered or accelerated solely as a result of such occurrence unless otherwise determined by the Administrator in its discretion, and the Options may be assumed or an equivalent award substituted by the successor corporation to the Company or a parent or subsidiary of such successor corporation (each such assumed or equivalent substituted award, a "**Substitute Award**"). If a Substitute Award is not issued nor the Options assumed in connection with the Change in Control, as determined in the discretion of the Administrator, then the Administrator shall provide for full vesting and exercisability of the outstanding Options immediately before the effective time of the Change in Control. In the event that you suffer an Involuntary Termination coincident with or within 24 months following the occurrence of a Change in Control, the outstanding Options or Substitute Award, to the extent not previously vested nor earlier forfeited or terminated, shall become fully vested and exercisable as of the date of such Involuntary Termination.

ACTIVE 62523578v3

Approved 2/7/22

6. Exercise of Options.

(a) Exercisability. None of the Options are exercisable as of the Grant Date. The Options will become exercisable as and when they vest as set forth in Section 5 above.

(b) Option Exercise Rights.

(i) You may exercise the Options, to the extent they have become exercisable, on any business day on or before the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. For this purpose, a business day is any day, other than a weekend or U.S. federal holiday, on which Forward Air Corporation's principal executive offices (currently in Greeneville, Tennessee) are open for business. You are not required to exercise your Options when they vest. Vested Options will accumulate and be exercisable by you, in whole or in part, at any time before the Options expire or are otherwise forfeited or terminated.

(ii) Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign (non-United States) securities laws, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such delivery is lawful. Likewise, if at any time the Administrator determines that the delivery of Common Stock under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the Shares are then listed for trade, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Any suspension of your right to exercise the Options under this paragraph will not extend the Expiration Date of the Options and your Options could expire unexercisable during such a suspension.

(iii) Section 7 and Section 8 below describe certain limitations on exercise of the Options that apply in the event of your death, Disability, or termination of Service which limitations could terminate your right to exercise the Options earlier than the Expiration Date.

(iv) You may exercise the Options only in multiples of whole shares. No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to initiate an exercise of your Options, you must deliver the following items to the Secretary of the Company or his or her delegate:

(i) an exercise notice, in such manner and form (including, without limitation, electronic on-line format) as the Administrator may require from time to time, that specifies the number of Shares you then desire to purchase under the Options and your method of payment of the aggregate Option Price; and

(ii) full payment of the aggregate Option Price for the Shares specified in the exercise notice or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 6(e) of this Agreement.

(d) Date Exercise becomes Effective.

(i) Your exercise will become effective (the "**Exercise Date**") as follows, provided that such exercise otherwise is permitted under and complies with all applicable laws:

(A) on the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her delegate, if such items are received by 5:00 p.m. U.S. Eastern Time on a business day;

(B) on the first business day after the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her delegate, if such items are received after 5:00 p.m. U.S. Eastern Time or are received on a day that is not a business day; or

(C) on the date on which the sale of Shares is executed via a broker-assisted cashless exercise, as confirmed by the brokerage firm, if the exercise notice is accompanied by instructions to effectuate a broker-assisted cashless exercise.

(ii) You are responsible for ensuring that your exercise notice and payment of the aggregate Option Price or instructions to effectuate a broker-assisted cashless exercise are received by the Secretary of the Company or his or her delegate, with sufficient time to enable the Exercise Date to occur in accordance with the foregoing rules before the Options expire, are forfeited or otherwise terminated. Because The Nasdaq Stock Market closes at 4:00 p.m. U.S. Eastern Time, any broker-assisted cashless exercise instruction received by the Secretary of the Company or his or her delegate, after 4:00 p.m. U.S. Eastern Time cannot be processed until the next business day on which The Nasdaq Stock Market is open for trading. If your broker-assisted cashless exercise instruction results in the sale of Shares over a number of days, each day on which a sale occurs will constitute the Exercise Date of the Options with respect to the Shares sold on such day.

(e) Methods of Payment

(i) You may pay the aggregate Option Price for the shares specified in the exercise notice by:

(A) delivering cash, wire or fund transfer, check, bank draft, postal or express money order payable to the order of the Company, or other cash equivalent acceptable to the Administrator in its discretion, in each such case in currency acceptable to the Administrator;

(B) executing a broker-assisted cashless exercise, through a "same day sale" commitment, in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator that is a member of the Financial Industry Regulatory Authority (a "FINRA Dealer"), under which the FINRA Dealer is irrevocably instructed to deliver to the Company on your behalf an amount, in cash or acceptable cash equivalents, sufficient to pay the aggregate Option Price for the Shares you then desire to purchase under the Options (plus applicable Withholding Taxes, if any), and the Company is instructed to deliver the Shares to the FINRA Dealer upon receipt of such amount;

(C) unless limited by the Administrator, tendering to the Company (via attestation in a form satisfactory to the Administrator) other unrestricted Shares owned by you, in which case the Company will attribute to the tendered Shares a value equal to the closing price per Share for the regular market session of The Nasdaq Stock Market (or the principal market for the Shares as determined by the Administrator if the Shares are not listed for trade on The Nasdaq Stock Market or are listed or admitted to trading on more than one exchange or market) on the Exercise Date or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(D) unless limited by the Administrator, electing net share settlement;

(E) by cancellation of indebtedness of the Company to you;

(F) by waiver of compensation from the Company due or accrued to you for services rendered;

(G) any other method approved by the Administrator; or

(H) any combination of the foregoing.

(ii) The Administrator in its discretion may place limitations on the extent, if any, to which you may pay the aggregate Option Price by tendering Shares or electing net share settlement, and in no event may you pay the Option Price through either of those two methods if you are a resident of Canada. If the Shares tendered or withheld are insufficient in value to pay the aggregate Option Price, you must deliver the net unpaid amount to the Secretary of the Company or his or her delegate on the Exercise Date in cash or in one of the specified forms of acceptable cash equivalents; provided, however, that if the net unpaid amount is less than the value of one Share and you are not an executive officer of the Company, the Company may allow you to pay such amount by having it withheld from your next paycheck.

(f) Tax Withholding. By accepting the Options, you agree to make adequate provision for foreign (non-United States), federal, state and local taxes and social insurance contributions (collectively, "**Withholding Taxes**") required by law to be withheld, if any, which arise in connection with the Options. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of Shares under the Options) the amount of any Withholding Taxes required by law to be withheld as a result of the grant, vesting or exercise of the Options, in whole or in part, or as otherwise may be required by applicable law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make such payment when requested, the Company may refuse to issue any Shares or deliver any stock certificate under this Agreement or otherwise release for transfer any such Shares until arrangements satisfactory to the Company for such payment have been made. The Company may, in its sole discretion, permit or require you to satisfy, in whole or in part, any Withholding Tax obligation which may arise in connection with the Options either by having the Company withhold from the Shares to be issued upon exercise that number of Shares, or by delivering to the Company already-owned unrestricted Shares, in either case having a fair market value equal to the amount necessary to satisfy the withholding amount due.

(g) Issuance of Shares upon Exercise. The Company will issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate Option Price and the requisite Withholding Taxes, if any. Unless and until you request the Company to deliver a share certificate to you, or deliver Shares electronically or in certificate form to your designated broker, bank or nominee on your behalf, the Company will retain the Shares that you purchased through exercise of the Options in uncertificated book entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

7. Forfeiture of Options upon Termination of Service. If your Service ceases for any reason, all Options that are not then vested, after giving effect to the applicable provisions of Section 5 above, will be immediately forfeited upon such cessation for no consideration. If your Service terminates for Cause, the Options, to the extent not theretofore exercised, shall terminate for no consideration on the date of your termination of Service regardless of their vested status.

8. Exercise Periods upon Termination of Service.

(a) Termination of Service. Except as provided otherwise in this Agreement, your vested Options will terminate 90 days after the date on which your Service terminates, but in no event later than the Expiration Date.

(b) Involuntary Termination Following a Change in Control. In the event that you suffer an Involuntary Termination coincident with or within 24 months following the occurrence of a Change in Control, your vested Options may be exercised for a period of 90 days from the date of such Involuntary Termination or until the Expiration Date set forth on the Grant Notice, whichever period is shorter.

(c) Retirement. If your Service terminates by reason of your Retirement, your Options may thereafter be exercised, to the extent vested at the time of such Retirement, at any time for a period of 5 years from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(d) Disability. If your Service terminates by reason of your Disability, your vested Options may thereafter be exercised for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(e) Death. If your death occurs prior to your termination of Service or during any of the periods described in Sections 8(a), 8(b), 8(c), or 8(d) of this Agreement during which your vested Options remained exercisable by you, then your estate, personal representative or any beneficiary, heir or legatee to whom the Options have been transferred will be permitted to exercise such vested Options for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter. Any person seeking to exercise your Options following your death must provide to the Company appropriate documentation as may be requested by the Administrator to establish your death and such person's right to exercise the Options.

9. Nontransferability. The Options are not transferable other than by will or the laws of descent and distribution, or, with the prior written consent of the Administrator, by you to a Family Member as a gift. The Administrator shall not permit any transfer of the Options for value and shall not permit any transfer of the Options pursuant to a domestic relations order in settlement of marital property rights. The Options may be exercised during your lifetime, only by you or your Family Member to whom the Options have been transferred with the

Administrator's consent or, during the period you are under a legal disability, by your guardian or legal representative, unless otherwise determined by the Administrator. The Options shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect.

10. Adjustments for Corporate Transactions and Other Events

(a) Mandatory Adjustments. In the event of a merger, consolidation, stock rights offering, liquidation, statutory share exchange or similar event affecting the Company (each, a "**Corporate Event**") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of the Company (each, a "**Share Change**"), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to the number of outstanding Options, the Option Price per Share, and the number of Options eligible to vest on each subsequent vesting date under the vesting schedule set forth on the Grant Notice to reflect such event; provided, however, that any fractional Options resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments will be made and the extent thereof will be final, binding and conclusive.

(b) Discretionary Adjustments. In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Options as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Options in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Options, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which shareholders of the Company receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Event over the Option Price per Share of such Option shall conclusively be deemed valid and that any Option may be cancelled for no consideration upon a Corporate Event if its Option Price per Share is not less than the value of the consideration being paid for each Share pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Options, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof.

(c) Dissolution or Liquidation. Unless the Administrator determines otherwise, all of the Options shall terminate upon the dissolution or liquidation of the Company.

(d) Change in Control. Notwithstanding anything in this Agreement or the Plan to the contrary, in the event that a Change in Control occurs, outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of equivalent options, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof. In the event of such termination, (i) the outstanding Options that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable, (ii) you will be permitted, immediately before the Change in Control, to exercise the Options, and (iii) the Administrator may take any of the actions set forth in Section 9(a) and 9(b) with respect to any or all of the Options. Implementation of the provisions of the immediately foregoing sentence shall be conditioned upon consummation of the Change in Control.

11. Rights as Stockholder. You shall not have any of the rights of a shareholder with respect to the Shares subject to purchase under the Options until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued to you.

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

13. Notice. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of Forward Air Corporation, Attention: Legal Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, TN 37745 or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

14. No Agreement to Employ. Nothing in the Plan or this Agreement shall alter your employment status with the Company, nor be construed as a contract of employment between the Company and you, or as a contractual right of you to continue in the employ of the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice, subject to applicable law, and whether or not such discharge results in the forfeiture of any Options or any other adverse effect on your interests under the Plan.

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

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

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

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

19. Electronic Delivery of Documents

(a) Methods of Delivery. The Company may from time to time electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Options, any amendments to the Agreement, and any reports of the Company provided generally to the Company's shareholders. You may receive from the Company, at no cost to you, a paper copy of any electronically delivered documents. Requests should be made to the Secretary of the Company at 1915 Snapps Ferry Road, Bldg. N, Greeneville, TN 37745 (Telephone: (423) 636 7000).

(b) Consent and Acknowledgment. By your accepting the Grant Notice correlating to this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options and any reports of the Company provided generally to the Company's shareholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

20. Amendment. Except as otherwise provided in the Plan, the Administrator may unilaterally amend the terms of this Agreement, but no such amendment shall materially impair your rights with respect to your Options without your consent, except such an amendment made to cause the Plan or the Agreement to comply with applicable law, applicable rule of any securities exchange on which the Shares are listed or admitted for trading, or to prevent adverse tax or accounting consequences for you or the Company or any of its Affiliates. The Company shall give written notice to you of any such alteration or amendment of this Agreement by the Administrator as promptly as practical after the adoption thereof. The foregoing shall not restrict the ability of you and the Company by mutual consent to alter or amend this Agreement in any manner which is consistent with the Plan and approved by the Administrator.

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

22. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Greeneville, Tennessee or any state court in the district which includes Greeneville, Tennessee. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

23. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than 24 months after the Administrator's decision is rendered.

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

{Glossary begins on next page}

GLOSSARY

- (a) “**Administrator**” means the Compensation Committee of the Board of Directors of Forward Air Corporation, or such other committee(s) or officer(s) duly appointed by such Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by such Board or the Compensation Committee; provided, however, that at any time the Board of Directors of Forward Air Corporation may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated.
- (b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.
- (c) “**Cause**” means any one or more of the following, as determined by the Administrator or its delegate in its sole discretion, which determination will be conclusive: (i) any act or omission by you which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude; (ii) your dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate; (iii) your insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy; (iv) your willful, repeated failure to perform your employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting “Cause” is reasonably open to a cure (for instance, where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between you and the Company on a going-forward basis), and the period to correct shall be established by the Administrator; (v) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate; (vi) your failure to comply in any material respect with the Company’s Code of Business Conduct and Ethics or Insider Trading Policy, or willful, repeated failure to comply in any material respect with the Company’s Executive Stock Ownership and Retention Guidelines, if applicable; or (vii) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.
- (d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.
- (e) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.
- (f) “**Disability**” means that you are (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which you participate and which conditions the right to receive benefits under such program on your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death. The Administrator shall have sole authority to determine whether you have suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of your condition.
- (g) “**Executive Severance Plan**” means the Company’s Executive Severance and Change in Control Plan or any successor plan thereto.
- (h) “**Expiration Date**” means the date set forth on the Grant Notice indicating when the Options expire if not sooner exercised, forfeited or otherwise terminated.
- (i) “**Family Member**” means any of your children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse (but expressly excluding ex-spouse), siblings, nieces, nephews, mother-in-law,

father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or you) control the management of assets, and any other entity in which these persons (or you) own more than fifty percent (50%) of the voting interests.

(j) **“Involuntary Termination”** means your termination of Service provided that such termination is either (i) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (ii) initiated by you for Good Reason, as defined under the Executive Severance Plan with respect to a termination of employment following a Change Date, as defined in the Executive Severance Plan, and provided that you are a participant in the Executive Severance Plan at the time of such Involuntary Termination.

(k) **“Retirement”** means your termination of Service with the Company and its Affiliates on or after attainment of age 65.

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

(m) **“Withholding Taxes”** means any foreign (non-United States), federal, state and local taxes and social insurance contributions required by law to be withheld.

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

{End of Agreement}

**FORWARD AIR CORPORATION
NOTICE OF GRANT OF NONQUALIFIED STOCK OPTIONS**

The Participant has been granted an award (the "Award") of nonqualified stock options (each, an "Option," and collectively, the "Options") to purchase all or any part of the number of common shares (the "Shares") set forth below of Forward Air Corporation, a Tennessee corporation (the "Company"), pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "Plan") and the Employee Nonqualified Stock Option Agreement attached hereto (the "Agreement"). Each Option, once vested and exercisable, enables the purchase of one Share from the Company at the option price specified below, subject to the provisions of the Agreement.

Participant: _____ **Employee ID:** _____
Grant Date: February __, 20__ **Grant No.:** _____
Number of Options: [_____], subject to adjustment as provided by the Plan.
Option Price: \$ ____ per Share

Vesting Schedule:¹ None of the Options are vested nor exercisable as of the Grant Date, and they are forfeitable until vested. So long as the Participant's Service with the Company is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur, one-third (1/3rd) of the Options will become vested and exercisable on each of the following dates:

| Vesting Date | Cumulative Percentage of the Options That May Be Exercised |
|-------------------|------------------------------------------------------------|
| February __, 20__ | 33-1/3% |
| February __, 20__ | 66-2/3% |
| February __, 20__ | 100% |

The Award Agreement provides additional details regarding vesting of the Options.

Expiration Date: The Options, if not sooner exercised, forfeited or otherwise terminated, expire on _____, 20__.

Recoupment Policy: The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

By their signatures below, the Company and the Participant agree that the Award is governed by this Notice of Grant of Nonqualified Stock Options and by the provisions of the Plan and the Agreement, both of which are made a part of this document. The Participant acknowledges receipt of a copy of the Plan, the Agreement and the prospectus for the Plan, represents that the Participant has read and is familiar with the provisions of the Plan and the Agreement, and hereby accepts the Award subject to all of its terms and conditions. In order for the grant of the Options to be effective, the Participant must indicate his or her acceptance of the Options by signing and delivering this Notice of Grant of Nonqualified Stock Options to Administrator of the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan, c/o Staff Accountant, Accounting Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 by no later than _____, 20__.

FORWARD AIR CORPORATION

PARTICIPANT

By: _____

Signature

Its: _____
Date

ATTACHMENT: Employee Nonqualified Stock Option Agreement

ACTIVE 62523412v2

- 2 -

**FORWARD AIR CORPORATION
EMPLOYEE NONQUALIFIED STOCK OPTION AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the "**Company**"), has granted to the Participant named in the *Notice of Grant of Nonqualified Stock Options* (the "**Grant Notice**") to which this Employee Nonqualified Stock Option Agreement (the "**Agreement**") is attached an Award consisting of stock options (the "**Options**") subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**"), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

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

2. **Tax Status of Options.** The Options are nonqualified stock options that are not intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and this Agreement shall be so construed. The Company does not warrant any particular tax consequences of the Options. Upon exercise of the Options, you will recognize compensation income in an amount equal to the excess of the then Fair Market Value of the Shares over the Option Price of the Shares and must comply with the provisions of Section 6(f) of this Agreement with respect to any tax withholding obligations that arise as a result of such exercise.

3. **Option Price.** The purchase price per Share shall be the "Option Price" as set forth on the Grant Notice, representing one hundred percent (100%) of the Fair Market Value of a Share as determined pursuant to the Plan as of the Grant Date set forth on the Grant Notice.

4. **Term of Option.** The term of the Options shall commence on the Grant Date and all rights to purchase Shares hereunder shall cease at 5:00 p.m. U.S. Eastern Time on the Expiration Date set forth on the Grant Notice, subject to earlier termination as provided in the Plan and this Agreement.

5. **Vesting.**

(a) **Vested Status upon Grant Date.** All of the Options are nonvested and forfeitable as of the Grant Date. For clarity, as used in this Agreement, the term "vest" means that the Options become exercisable for the purchase of Shares. The fact that an Option has become vested does not mean or otherwise indicate that you have an unconditional or nonforfeitable right to such Option. A vested Option remains subject to the terms, conditions and forfeiture provisions provided for in the Plan and in this Agreement.

(b) **Vesting Schedule.** So long as your Service is continuous from the Grant Date through the applicable date upon which vesting is scheduled to occur and the performance condition(s) (if any) set forth on the Grant Notice are satisfied, as further detailed on the Grant Notice, the Options will vest and become exercisable on the vesting dates as set forth in the correlating Grant Notice.

(c) **Vesting upon Death or Disability.** All of the Options that have not already vested or been previously forfeited will vest and become exercisable upon your death or termination of Service due to your Disability.

(d) **Double-trigger Vesting.** If a Change in Control occurs, the vesting and exercisability of the Options shall not be altered or accelerated solely as a result of such occurrence unless otherwise determined by the Administrator in its discretion, and the Options may be assumed or an equivalent award substituted by the successor corporation to the Company or a parent or subsidiary of such successor corporation (each such assumed or equivalent substituted award, a "**Substitute Award**"). If a Substitute Award is not issued nor the Options assumed in connection with the Change in Control, as determined in the discretion of the Administrator, then the Administrator shall provide for full vesting and exercisability of the outstanding Options immediately before the effective time of the Change in Control. In the event that you suffer an Involuntary Termination coincident with or within 24 months following the occurrence of a Change in Control, the outstanding Options or Substitute Award, to the extent not previously vested nor earlier forfeited or terminated, shall become fully vested and exercisable as of the date of such Involuntary Termination.

ACTIVE 62523412v2

Approved 2-7-22

6. Exercise of Options.

(a) Exercisability. None of the Options are exercisable as of the Grant Date. The Options will become exercisable as and when they vest as set forth in Section 5 above.

(b) Option Exercise Rights.

(i) You may exercise the Options, to the extent they have become exercisable, on any business day on or before the Expiration Date or the earlier termination of the Options, unless otherwise provided under applicable law. For this purpose, a business day is any day, other than a weekend or U.S. federal holiday, on which Forward Air Corporation's principal executive offices (currently in Greeneville, Tennessee) are open for business. You are not required to exercise your Options when they vest. Vested Options will accumulate and be exercisable by you, in whole or in part, at any time before the Options expire or are otherwise forfeited or terminated.

(ii) Notwithstanding the foregoing, if at any time the Administrator determines that the delivery of Shares under the Plan or this Agreement is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign (non-United States) securities laws, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such delivery is lawful. Likewise, if at any time the Administrator determines that the delivery of Common Stock under the Plan or this Agreement is or may violate the rules of the national securities exchange on which the Shares are then listed for trade, your right to exercise the Options or receive Shares pursuant to the Options will be suspended until the Administrator determines that such exercise or delivery would not violate such rules. Any suspension of your right to exercise the Options under this paragraph will not extend the Expiration Date of the Options and your Options could expire unexercisable during such a suspension.

(iii) Section 7 and Section 8 below describe certain limitations on exercise of the Options that apply in the event of your death, Disability, or termination of Service which limitations could terminate your right to exercise the Options earlier than the Expiration Date.

(iv) You may exercise the Options only in multiples of whole shares. No fractional Shares will be issued under the Options.

(c) Exercise Procedure. In order to initiate an exercise of your Options, you must deliver the following items to the Secretary of the Company or his or her delegate:

(i) an exercise notice, in such manner and form (including, without limitation, electronic on-line format) as the Administrator may require from time to time, that specifies the number of Shares you then desire to purchase under the Options and your method of payment of the aggregate Option Price; and

(ii) full payment of the aggregate Option Price for the Shares specified in the exercise notice or properly executed, irrevocable instructions, in such manner and form as the Administrator may require from time to time, to effectuate a broker-assisted cashless exercise, each in accordance with Section 6(e) of this Agreement.

(d) Date Exercise becomes Effective.

(i) Your exercise will become effective (the "**Exercise Date**") as follows, provided that such exercise otherwise is permitted under and complies with all applicable laws:

(A) on the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her delegate, if such items are received by 5:00 p.m. U.S. Eastern Time on a business day;

(B) on the first business day after the date on which both the exercise notice and payment of the aggregate Option Price is received by the Secretary of the Company or his or her delegate, if such items are received after 5:00 p.m. U.S. Eastern Time or are received on a day that is not a business day; or

(C) on the date on which the sale of Shares is executed via a broker-assisted cashless exercise, as confirmed by the brokerage firm, if the exercise notice is accompanied by instructions to effectuate a broker-assisted cashless exercise.

(ii) You are responsible for ensuring that your exercise notice and payment of the aggregate Option Price or instructions to effectuate a broker-assisted cashless exercise are received by the Secretary of the Company or his or her delegate, with sufficient time to enable the Exercise Date to occur in accordance with the foregoing rules before the Options expire, are forfeited or otherwise terminated. Because The Nasdaq Stock Market closes at 4:00 p.m. U.S. Eastern Time, any broker-assisted cashless exercise instruction received by the Secretary of the Company or his or her delegate, after 4:00 p.m. U.S. Eastern Time cannot be processed until the next business day on which The Nasdaq Stock Market is open for trading. If your broker-assisted cashless exercise instruction results in the sale of Shares over a number of days, each day on which a sale occurs will constitute the Exercise Date of the Options with respect to the Shares sold on such day.

(e) Methods of Payment

(i) You may pay the aggregate Option Price for the shares specified in the exercise notice by:

(A) delivering cash, wire or fund transfer, check, bank draft, postal or express money order payable to the order of the Company, or other cash equivalent acceptable to the Administrator in its discretion, in each such case in currency acceptable to the Administrator;

(B) executing a broker-assisted cashless exercise, through a "same day sale" commitment, in accordance with Regulation T of the Board of Governors of the Federal Reserve System through a brokerage firm designated or approved by the Administrator that is a member of the Financial Industry Regulatory Authority (a "FINRA Dealer"), under which the FINRA Dealer is irrevocably instructed to deliver to the Company on your behalf an amount, in cash or acceptable cash equivalents, sufficient to pay the aggregate Option Price for the Shares you then desire to purchase under the Options (plus applicable Withholding Taxes, if any), and the Company is instructed to deliver the Shares to the FINRA Dealer upon receipt of such amount;

(C) unless limited by the Administrator, tendering to the Company (via attestation in a form satisfactory to the Administrator) other unrestricted Shares owned by you, in which case the Company will attribute to the tendered Shares a value equal to the closing price per Share for the regular market session of The Nasdaq Stock Market (or the principal market for the Shares as determined by the Administrator if the Shares are not listed for trade on The Nasdaq Stock Market or are listed or admitted to trading on more than one exchange or market) on the Exercise Date or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

(D) unless limited by the Administrator, electing net share settlement;

(E) by cancellation of indebtedness of the Company to you;

(F) by waiver of compensation from the Company due or accrued to you for services rendered;

(G) any other method approved by the Administrator; or

(H) any combination of the foregoing.

(ii) The Administrator in its discretion may place limitations on the extent, if any, to which you may pay the aggregate Option Price by tendering Shares or electing net share settlement, and in no event may you pay the Option Price through either of those two methods if you are a resident of Canada. If the Shares tendered or withheld are insufficient in value to pay the aggregate Option Price, you must deliver the net unpaid amount to the Secretary of the Company or his or her delegate on the Exercise Date in cash or in one of the specified forms of acceptable cash equivalents; provided, however, that if the net unpaid amount is less than the value of one Share and you are not an executive officer of the Company, the Company may allow you to pay such amount by having it withheld from your next paycheck.

(f) Tax Withholding. By accepting the Options, you agree to make adequate provision for foreign (non-United States), federal, state and local taxes and social insurance contributions (collectively, "**Withholding Taxes**") required by law to be withheld, if any, which arise in connection with the Options. The Company shall have the right to deduct from any compensation or any other payment of any kind due you (including withholding the issuance or delivery of Shares under the Options) the amount of any Withholding Taxes required by law to be withheld as a result of the grant, vesting or exercise of the Options, in whole or in part, or as otherwise may be required by applicable law. In lieu of such deduction, the Company may require you to make a cash payment to the Company equal to the amount required to be withheld. If you do not make such payment when requested, the Company may refuse to issue any Shares or deliver any stock certificate under this Agreement or otherwise release for transfer any such Shares until arrangements satisfactory to the Company for such payment have been made. The Company may, in its sole discretion, permit or require you to satisfy, in whole or in part, any Withholding Tax obligation which may arise in connection with the Options either by having the Company withhold from the Shares to be issued upon exercise that number of Shares, or by delivering to the Company already-owned unrestricted Shares, in either case having a fair market value equal to the amount necessary to satisfy the withholding amount due.

(g) Issuance of Shares upon Exercise. The Company will issue to you the Shares underlying the Options you exercise as soon as practicable after the exercise date, subject to the Company's receipt of the aggregate Option Price and the requisite Withholding Taxes, if any. Unless and until you request the Company to deliver a share certificate to you, or deliver Shares electronically or in certificate form to your designated broker, bank or nominee on your behalf, the Company will retain the Shares that you purchased through exercise of the Options in uncertificated book entry form. Any share certificates delivered will, unless the Shares are registered or an exemption from registration is available under applicable federal and state law, bear a legend restricting transferability of such Shares.

7. Forfeiture of Options upon Termination of Service. If your Service ceases for any reason, all Options that are not then vested, after giving effect to the applicable provisions of Section 5 above, will be immediately forfeited upon such cessation for no consideration. If your Service terminates for Cause, the Options, to the extent not theretofore exercised, shall terminate for no consideration on the date of your termination of Service regardless of their vested status.

8. Exercise Periods upon Termination of Service.

(a) Termination of Service. Except as provided otherwise in this Agreement, your vested Options will terminate 90 days after the date on which your Service terminates, but in no event later than the Expiration Date.

(b) Involuntary Termination Following a Change in Control. In the event that you suffer an Involuntary Termination coincident with or within 24 months following the occurrence of a Change in Control, your vested Options may be exercised for a period of 90 days from the date of such Involuntary Termination or until the Expiration Date set forth on the Grant Notice, whichever period is shorter.

(c) Retirement. If your Service terminates by reason of your Retirement, your Options may thereafter be exercised, to the extent vested at the time of such Retirement, for a period of 5 years from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(d) Disability. If your Service terminates by reason of your Disability, your vested Options may thereafter be exercised for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter.

(e) Death. If your death occurs prior to your termination of Service or during any of the periods described in Sections 8(a), 8(b), 8(c), or 8(d) of this Agreement during which your vested Options remained exercisable by you, then your estate, personal representative or any beneficiary, heir or legatee to whom the Options have been transferred will be permitted to exercise such vested Options for a period of 12 months from the date your Service terminated or until the Expiration Date, whichever period is shorter. Any person seeking to exercise your Options following your death must provide to the Company appropriate documentation as may be requested by the Administrator to establish your death and such person's right to exercise the Options.

9. Nontransferability. The Options are not transferable other than by will or the laws of descent and distribution, or, with the prior written consent of the Administrator, by you to a Family Member as a gift. The Administrator shall not permit any transfer of the Options for value and shall not permit any transfer of the Options pursuant to a domestic relations order in settlement of marital property rights. The Options may be exercised during your lifetime, only by you or your Family Member to whom the Options have been transferred with the

Administrator's consent or, during the period you are under a legal disability, by your guardian or legal representative, unless otherwise determined by the Administrator. The Options shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect.

10. Adjustments for Corporate Transactions and Other Events

(a) Mandatory Adjustments. In the event of a merger, consolidation, stock rights offering, liquidation, statutory share exchange or similar event affecting the Company (each, a "**Corporate Event**") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of the Company (each, a "**Share Change**"), the Administrator shall make equitable and appropriate substitutions or proportionate adjustments to the number of outstanding Options, the Option Price per Share, and the number of Options eligible to vest on each subsequent vesting date under the vesting schedule set forth on the Grant Notice to reflect such event; provided, however, that any fractional Options resulting from any such adjustment shall be eliminated. Adjustments under this paragraph will be made by the Administrator, whose determination as to what adjustments will be made and the extent thereof will be final, binding and conclusive.

(b) Discretionary Adjustments. In the case of Corporate Events, the Administrator may make such other adjustments to outstanding Options as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Options in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Options, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which shareholders of the Company receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Event over the Option Price per Share of such Option shall conclusively be deemed valid and that any Option may be cancelled for no consideration upon a Corporate Event if its Option Price per Share is not less than the value of the consideration being paid for each Share pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the Shares subject to outstanding Options, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof.

(c) Dissolution or Liquidation. Unless the Administrator determines otherwise, all of the Options shall terminate upon the dissolution or liquidation of the Company.

(d) Change in Control. Notwithstanding anything in this Agreement or the Plan to the contrary, in the event that a Change in Control occurs, outstanding Options will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Options by, or for the substitution of equivalent options, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof. In the event of such termination, (i) the outstanding Options that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable, (ii) you will be permitted, immediately before the Change in Control, to exercise the Options, and (iii) the Administrator may take any of the actions set forth in Section 9(a) and 9(b) with respect to any or all of the Options. Implementation of the provisions of the immediately foregoing sentence shall be conditioned upon consummation of the Change in Control.

11. Rights as Stockholder. You shall not have any of the rights of a shareholder with respect to the Shares subject to purchase under the Options until such Shares have been issued to you upon the due exercise of the Options. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued to you.

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

13. Notice. All notices and other communications made or given pursuant to this Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to you at the address contained in the records of the Company, or addressed to the Administrator, care of Forward Air Corporation, Attention: Legal Department, 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

14. No Agreement to Employ. Nothing in the Plan or this Agreement shall alter your employment status with the Company, nor be construed as a contract of employment between the Company and you, or as a contractual right of you to continue in the employ of the Company for any period of time, or as a limitation of the right of the Company to discharge you at any time with or without cause or notice, subject to applicable law, and whether or not such discharge results in the forfeiture of any Options or any other adverse effect on your interests under the Plan.

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

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

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

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

19. Electronic Delivery of Documents

(a) Methods of Delivery. The Company may from time to time electronically deliver, via e-mail or posting on the Company's website, this Agreement, information with respect to the Plan or the Options, any amendments to the Agreement, and any reports of the Company provided generally to the Company's shareholders. You may receive from the Company, at no cost to you, a paper copy of any electronically delivered documents. Requests should be made to the Secretary of the Company at 1915 Snapps Ferry Road, Bldg. N, Greeneville, Tennessee 37745 (Telephone: (423) 636 7000).

(b) Consent and Acknowledgment. By your accepting the Grant Notice correlating to this Agreement, you (i) consent to the electronic delivery of this Agreement, all information with respect to the Plan and the Options and any reports of the Company provided generally to the Company's shareholders; (ii) acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing; (iii) further acknowledge that you may revoke your consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (iv) further acknowledge that you understand that you are not required to consent to electronic delivery of documents.

20. Amendment. Except as otherwise provided in the Plan, the Administrator may unilaterally amend the terms of this Agreement, but no such amendment shall materially impair your rights with respect to your Options without your consent, except such an amendment made to cause the Plan or the Agreement to comply with applicable law, applicable rule of any securities exchange on which the Shares are listed or admitted for trading, or to prevent adverse tax or accounting consequences for you or the Company or any of its Affiliates. The Company shall give written notice to you of any such alteration or amendment of this Agreement by the Administrator as promptly as practical after the adoption thereof. The foregoing shall not restrict the ability of you and the Company by mutual consent to alter or amend this Agreement in any manner which is consistent with the Plan and approved by the Administrator.

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

22. Governing Law. The validity, construction, and effect of this Agreement, and of any determinations or decisions made by the Administrator relating to this Agreement, and the rights of any and all persons having or claiming to have any interest under this Agreement, shall be determined exclusively in accordance with the laws of the State of Tennessee, without regard to its provisions concerning the applicability of laws of other jurisdictions. As a condition of this Agreement, you agree that you will not bring any action arising under, as a result of, pursuant to or relating to, this Agreement in any court other than a federal or state court in the districts which include Greeneville, Tennessee, and you hereby agree and submit to the personal jurisdiction of any federal court located in the district which includes Greeneville, Tennessee or any state court in the district which includes Greeneville, Tennessee. You further agree that you will not deny or attempt to defeat such personal jurisdiction or object to venue by motion or other request for leave from any such court.

23. Resolution of Disputes. Any dispute or disagreement which shall arise under, or as a result of, or pursuant to or relating to, this Agreement shall be determined by the Administrator in good faith in its absolute and uncontrolled discretion, and any such determination or any other determination by the Administrator under or pursuant to this Agreement and any interpretation by the Administrator of the terms of this Agreement, will be final, binding and conclusive on all persons affected thereby. You agree that before you may bring any legal action arising under, as a result of, pursuant to or relating to, this Agreement you will first exhaust your administrative remedies before the Administrator. You further agree that in the event that the Administrator does not resolve any dispute or disagreement arising under, as a result of, pursuant to or relating to, this Agreement to your satisfaction, no legal action may be commenced or maintained relating to this Agreement more than 24 months after the Administrator's decision is rendered.

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

{Glossary begins on next page}

GLOSSARY

- (a) “**Administrator**” means the Compensation Committee of the Board of Directors of Forward Air Corporation, or such other committee(s) or officer(s) duly appointed by such Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by such Board or the Compensation Committee; provided, however, that at any time the Board of Directors of Forward Air Corporation may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated.
- (b) “**Affiliate**” means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Forward Air Corporation or any successor to Forward Air Corporation. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.
- (c) “**Cause**” means any one or more of the following, as determined by the Administrator or its delegate in its sole discretion, which determination will be conclusive: (i) any act or omission by you which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude; (ii) your dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate; (iii) your insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy; (iv) your willful, repeated failure to perform your employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting “Cause” is reasonably open to a cure (for instance, where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between you and the Company on a going-forward basis), and the period to correct shall be established by the Administrator; (v) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate; (vi) your failure to comply in any material respect with the Company’s Code of Business Conduct and Ethics or Insider Trading Policy, or willful, repeated failure to comply in any material respect with the Company’s Executive Stock Ownership and Retention Guidelines, if applicable; or (vii) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.
- (d) “**Change in Control**” shall have the meaning ascribed thereto in the Plan.
- (e) “**Company**” means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.
- (f) “**Disability**” means that you are (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which you participate and which conditions the right to receive benefits under such program on your being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until your death or result in death. The Administrator shall have sole authority to determine whether you have suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of your condition.
- (g) “**Executive Severance Plan**” means the Company’s Executive Severance and Change in Control Plan or any successor plan thereto.
- (h) “**Expiration Date**” means the date set forth on the Grant Notice indicating when the Options expire if not sooner exercised, forfeited or otherwise terminated.
- (i) “**Family Member**” means any of your children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse (but expressly excluding ex-spouse), siblings, nieces, nephews, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any

person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or you) control the management of assets, and any other entity in which these persons (or you) own more than fifty percent (50%) of the voting interests.

(j) **“Involuntary Termination”** means your termination of Service provided that such termination is either (i) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (ii) initiated by you for Good Reason, as defined under the Executive Severance Plan with respect to a termination of employment following a Change Date, as defined in the Executive Severance Plan, and provided that you are a participant in the Executive Severance Plan at the time of such Involuntary Termination.

(k) **“Retirement”** means your termination of Service with the Company and its Affiliates on or after attainment of age 65.

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

(m) **“Withholding Taxes”** means any foreign (non-United States), federal, state and local taxes and social insurance contributions required by law to be withheld.

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

{End of Agreement}

FORWARD AIR CORPORATION
NOTICE OF GRANT OF PERFORMANCE SHARES

The Participant has been granted an award of an opportunity to receive a number of Performance Shares (the "Award") pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "Plan") and the Employee Performance Share Agreement attached hereto (the "Agreement"), as follows:

Participant: _____ Employee ID: _____
Grant Date: February __, 2022 Grant No.: _____
Target Number of Performance Shares: [_____] , subject to adjustment as provided by the Agreement.
Maximum Number of Performance Shares: [_____] , subject to adjustment as provided by the Agreement.
Performance Metric: Percentile Ranking of Total Shareholder Return within Peer Group
Performance Period: Three-year period beginning on the January 1st that immediately precedes the Grant Date and ending on the December 31st that immediately precedes the third anniversary of the Grant Date (January 1, 2022 – December 31, 2024)
Performance Share Vesting Date: The date that is 2½ months after the last day of the Performance Period, except as otherwise provided by the Agreement.
Vested Performance Shares: Provided that the Participant's Service has not terminated prior to the Performance Share Vesting Date, except as provided by the Agreement, on the Performance Share Vesting Date the number of Vested Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by multiplying the Target Number of Performance Shares by the average TSR Multiplier (as defined by the Agreement).
Settlement Date: The Performance Share Vesting Date, except as otherwise provided by the Agreement.
Recoupment Policy: The Award shall be subject to the terms and conditions of such policy on the recoupment of incentive compensation as shall be adopted by the Company to implement the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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

FORWARD AIR CORPORATION PARTICIPANT

By: _____
Signature

Its: _____
Date

ATTACHMENT: Employee Performance Share Agreement

Employee Performance Share Agreement (OICP New Hire)
EAST\150840562.31/29/18 2

**FORWARD AIR CORPORATION
EMPLOYEE PERFORMANCE SHARE AGREEMENT**

Forward Air Corporation, a Tennessee corporation (the "**Company**"), has granted to the Participant named in the *Notice of Grant of Performance Shares* (the "**Grant Notice**") to which this Employee Performance Share Agreement (the "**Agreement**") is attached an Award consisting of Performance Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Forward Air Corporation 2016 Omnibus Incentive Compensation Plan (the "**Plan**"), as amended to the Grant Date, the provisions of which are incorporated herein by reference.

1. Definitions and Construction.

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

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

2. Administration.

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

3. The Award.

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

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

4. Certification by the Committee.

4.1 **Percentile Ranking of Peer Group Total Shareholder Return.** As soon as practicable following completion of the Performance Period, and in any event on or before the Performance Share Vesting Date, the Committee shall certify in writing the average TSR Multiplier for the Performance Period and the resulting number of Performance Shares, if any, which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, except as otherwise provided by Section 5 or Section 8. The number of Performance Shares which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, shall be determined by multiplying the Target Number of Performance Shares specified on the Grant Notice by the TSR Multiplier specified below, based on the Company's Total Shareholder Return relative to the Total Shareholder Return of the Peer Companies, rounding up to the nearest whole share:

| TSR Percentile Ranking | TSR Multiplier |
|-------------------------------|-----------------------|
| 90th percentile or higher | 200% |
| 70th percentile | 150% |
| 50th percentile | 100% |
| 25th percentile | 50% |
| Below 25th percentile | 0% |

The Total Shareholder Return for each Peer Company and the Company will be calculated based on the Ending Stock Price on the last trading day of each of the four calendar quarters of the third calendar year of the Performance Period and a TSR Multiplier will be calculated for each quarter. The four quarterly TSR Multipliers will be averaged to determine the final payout for the Performance Period.

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

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

5. **Vesting of Performance Shares.**

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

5.2 **Termination of Service Other Than By Reason of Retirement, Death, Disability or in Connection With a Change in Control of the Company.** In the event the Participant's Service terminates for any reason prior to the Performance Share Vesting Date, other than by reason of Retirement, death, Disability, or Involuntary Termination coincident with or within 24 months after a Change in Control of the Company, the Participant shall immediately forfeit, without requiring any act of the Participant or the Company to effectuate such forfeiture, all rights to and interests in the Performance Shares subject to the Award and the Award shall be cancelled as of the last day of the Participant's Service. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

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

5.4 **Termination of Service by Reason of Retirement.** In the event the Participant's Service terminates by reason of Retirement (in the absence of Cause) prior to the Performance Share Vesting Date,

then, except as otherwise provided in Section 8.1, on the Performance Share Vesting Date the number of Performance Shares that shall become Vested Performance Shares, rounded up to the nearest whole share, shall be determined by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under Section 4.1 had no such termination occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period.

5.5 Vesting Upon Involuntary Termination Following a Change In Control. In the event the Participant suffers an Involuntary Termination coincident with or within 24 months following the CIC Date of a Change in Control but before the Performance Share Vesting Date, vesting of the Participant's outstanding Award (or outstanding Substitute Award, as the case may be) shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares specified on the Grant Notice or (b) the number of Performance Shares that otherwise would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier (without the four-quarter averaging) attained as of the date of such Involuntary Termination, determined as if the Participant's last day of Service is the last day of the Performance Period, shall become Vested Performance Shares effective as of the last day of the Participant's Service; provided, however, that if the outstanding Substitute Award provides for valuation by reference to anything other than Performance Shares following the CIC Date then the Participant shall become 100% vested in such value as of the last day of the Participant's Service. In either such case, the Participant's Award or Substitute Award shall be settled as soon as practicable, generally within 30 days, after the Participant's last day of Service, except to the extent that settlement of such Award (or outstanding Substitute Award, as the case may be) must be made pursuant to its original schedule in order to comply with Section 409A of the Code. The Participant shall forfeit, without requiring any act of the Participant, his personal representative or the Company to effectuate such forfeiture, all rights to and interests in any Performance Shares subject to the Award or Substitute Award that do not become Vested Performance Shares under this Section 5.5. Neither the Participant nor any person claiming through the Participant shall be entitled to any payment for such forfeited Performance Shares.

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

6. Settlement of the Award

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

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

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

to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

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

7. **Tax Matters.**

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

7.2 **Withholding in Common Shares.** Subject to applicable law, the Company may, in its sole discretion, permit the Participant to satisfy any tax withholding obligations that arise in connection with the Award by directing that the Company reduce the number of shares of Common Shares otherwise issuable to the Participant in settlement of the Award by a number of whole Common Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, up to the amount of such tax withholding obligations determined by the applicable statutory withholding rates.

8. **Change In Control**

8.1 **Treatment of Award Upon a Change in Control** In the event of the consummation of a Change in Control before the Settlement Date, the outstanding Award shall be assumed or an equivalent award, as determined in the discretion of the Committee, shall be granted by the successor corporation to the Company or a parent or subsidiary of such successor corporation in substitution for the outstanding Award (each such assumed Award or equivalent award granted, a "**Substitute Award**") and, except as provided by Section 5, this Section 8, or the terms of the Substitute Award, the Substitute Award shall vest and become Vested Performance Shares as provided in the Grant Notice and Section 4.1.

(a) If neither such successor corporation, nor a parent or subsidiary of such successor corporation, agrees to assume the Award or to substitute an equivalent award, as determined in the discretion of the Committee, then vesting of the outstanding Award shall be accelerated so that the greater of (a) 100% of the Target Number of Performance Shares specified on the Grant Notice or (b) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier (without the four-quarter averaging) attained as of the CIC Date, determined as if the CIC Date is the last day of the Performance Period, shall become Vested Performance Shares effective as of the CIC Date, provided that the Participant's Service has not terminated prior to the CIC Date. Under these circumstances, the Settlement Date shall be the CIC Date or as soon as practicable thereafter.

(b) Notwithstanding the foregoing, if the Participant's Service terminates due to Retirement and a Change in Control is consummated before the Participant's Award is settled and no Substitute Award is assumed or granted, vesting of the Participant's outstanding Award shall be accelerated so that a number of Performance Shares shall become Vested Performance Shares effective as of the CIC Date determined, rounded up to the nearest whole share, by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares under this Section 8.1 had no such Retirement occurred by (b) a percentage equal to the ratio of the number of whole and partial months (rounded up to the nearest integer) of the Participant's Service during the Performance Period to the number of full months contained in the Performance Period as reflected on the Grant Notice.

(c) Notwithstanding anything herein to the contrary, the Committee may, in its discretion, determine that upon a Change in Control, each Award outstanding immediately prior to the Change in Control shall be canceled in exchange for payment with respect to the number of Performance Shares that otherwise would become Vested Performance Shares by reason of this Section 8.1, in (a) cash, (b) stock of the Company or the acquiring entity or any parent company of the acquiring entity, or (c) other property. In any such case, the payment shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Common Stock in the Change in Control for each such Vested Performance Share (subject to any required tax withholding). Such payment shall be made within 30 days following the Change in Control.

(d) All of the foregoing provisions of this Section 8.1 may be revised or eliminated, in whole or in part, in the discretion of the Committee and without the consent of the Participant, to the extent that the Committee determines such action to be appropriate or desirable after obtaining in connection with a Change in Control transaction a shareholder advisory vote required by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or any successor provision, on golden parachute compensation arrangements, provided that this Agreement is a subject of that advisory vote.

8.2 Federal Excise Tax Under Section 4999 of the Code.

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

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

9. Adjustments for Changes in Capital Structure.

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

10. Rights as a Stockholder or Employee.

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

11. **Compliance with Section 409A.**

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

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

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

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

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

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

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

11.5 **Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

12. **Miscellaneous Provisions.**

12.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may materially adversely affect the Participant’s rights under this Agreement, as determined in good faith in the discretion of the Committee, without the consent of the Participant

unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

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

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

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

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

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

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

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 12.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.6(a).

12.7 Recoupment. Notwithstanding anything to the contrary in this Agreement, the Performance Shares (including any income, capital gains, proceeds realized or other economic benefit actually or

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

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

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

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

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

{Glossary begins on next page}

GLOSSARY

- (a) **“Affiliate”** means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Company or any successor to the Company. For this purpose, “control” (including the correlative meanings of the terms “controlled by” and “under common control with”) shall mean ownership, directly or indirectly, of 50% or more of the total combined voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.
- (b) **“Beginning Stock Price”** means the closing price on the applicable stock exchange of one share of common stock immediately prior to the first day of the Performance Period.
- (c) **“Cause”** means any one or more of the following, as determined by the Committee or its delegate in its sole discretion, which determination will be conclusive: (i) any act or omission by the Participant which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude; (ii) the Participant’s dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate; (iii) insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy; (iv) willful, repeated failure on the part of the Participant to perform his or her employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting “Cause” is reasonably open to a cure (for instance, where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between the Participant and the Company on a going-forward basis), and the period to correct shall be established by the Committee; (v) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate; (vi) failure to comply in any material respect with the Company’s Code of Business Conduct and Ethics or Insider Trading Policy, or willful, repeated failure to comply in any material respect with the Company’s Executive Stock Ownership and Retention Guidelines, if applicable; or (vii) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.
- (d) **“Change in Control”** shall have the meaning ascribed thereto in the Plan.
- (e) **“CIC Date”** means the date on which the relevant Change in Control shall have occurred.
- (f) **“Committee”** means the Board of Directors of Forward Air Corporation or such committee or committees appointed by the Board to administer the Plan.
- (g) **“Common Shares”** means shares of Common Stock issued in settlement of the Award.
- (h) **“Company”** means Forward Air Corporation and its Affiliates, except where the context otherwise requires. For purposes of determining whether a Change in Control has occurred, Company shall mean only Forward Air Corporation.
- (i) **“Disability”** means that the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant’s death or result in death so long as such disability is within the meaning specified under Treas. Reg. § 1.409A-3(a)(4). The Committee shall have sole authority to determine whether the Participant has suffered a Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant’s condition.
- (j) **“Dividends Paid”** means all dividends and other distributions paid on one share of the issuer’s common stock during the Performance Period.
- (k) **“Ending Stock Price”** means the closing price on the applicable stock exchange of one share of common stock on the last trading day of each measurement period.

(l) **“Executive Severance Plan”** means the Company’s Executive Severance and Change in Control Plan, as amended from time to time, or any successor plan thereto.

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

(n) **“Involuntary Termination”** means the termination of Service of the Participant provided that such termination is either (a) initiated by the Company or a parent or subsidiary of the Company, or a successor to any such entity for a reason other than Disability, death, Retirement or for Cause, or (b) if the Participant is, at the time of such termination, a participant in the Executive Severance Plan, initiated by the Participant for “Good Reason” following a “Change Date,” as such terms are defined under the Executive Severance Plan.

(o) **“Peer Company”** means each of the following (collectively, the “Peer Group”) ArcBest Corporation; C.H. Robinson Worldwide, Inc.; Expeditors International of Washington, Inc.; Heartland Express, Inc. ; Hub Group, Inc.; J.B. Hunt Transport Services, Inc.; Knight Transportation, Inc.; Landstar System, Inc.; Marten Transport, Ltd.; Old Dominion Freight Line, Inc.; Saia, Inc.; Schneider National, Inc.; and, Werner Enterprises, Inc.; and XPO Logistics, Inc. The Peer Companies shall be changed as follows:

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

(B) In the event that, at any time during the first 18 months of the Performance Period, a Peer Company enters into a definitive agreement to be acquired that is not rescinded or revoked by the end of Year 2, the peer will be eliminated.

(C) In the event that, at any time after the first 18 months of the Performance Period, a Peer Company is subject to a public announcement of a takeover attempt or enters into a definitive agreement to be acquired, it will be fixed above or below the Company using 30-trading day average prices up to the day before the announcement.

(D) In the event that, at any time during the Performance Period, a Peer Company enters into a definitive agreement to be acquired by the Company or one its subsidiaries, it will be eliminated for the entire measurement period.

(E) In the event that a Peer Company is involved in bankruptcy proceedings (and thus no longer traded on a national securities exchange) during any of the measurement periods, such company shall remain a Peer Company with a -100% Total Shareholder Return.

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

(q) **“Retirement”** means the Participant’s termination of Service with the Company and its Affiliates on or after attainment of age 65.

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

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

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

(u) **“Settlement Date”** means the date so specified on the Grant Notice; provided, however, that in the event of termination of the Participant’s Service by reason of death or Disability, the term “Settlement Date” shall mean the sixtieth (60th) day after the day on which the Participant’s Service terminates.

(v) **“Substitute Award”** means, upon the occurrence of a Change in Control, the outstanding Award that is assumed or an equivalent award, as determined in the discretion of the Committee, that is granted in

substitution for the outstanding Award by the successor corporation to the Company or a parent or subsidiary of such successor corporation. For the avoidance of doubt, a Substitute Award with respect to the Award outstanding as of immediately before the Change in Control may include, without limitation, an award that consists of a notional account that, as of the CIC Date, is credited with an amount equal to the product of (a) the Fair Market Value of the consideration to be paid per share of Common Stock in the Change in Control multiplied by (b) the greater of (i) 100% of the Target Number of Performance Shares specified on the Grant Notice or (ii) the number of Performance Shares that would have become vested as of the Performance Share Vesting Date, based on the TSR Multiplier attained as of the CIC Date, determined as if the CIC Date is the last day of the Performance Period, and which notional account becomes vested and shall be paid to the Participant on the original Performance Share Vesting Date specified on the Grant Notice provided that the Participant's Service with the Company or its successor, or a parent or subsidiary of such successor corporation, continues through such date, subject to earlier payment pursuant to Section 5.5 of this Agreement. The value of the notional account may, but need not, be credited with interest, earnings and losses or otherwise fluctuate by reference to stock of the Company or the acquiring entity or any parent company of the acquiring entity, and the notional account may be settled in cash, stock of the Company or the acquiring entity or any parent company of the acquiring entity, or other property.

(w) “**Total Shareholder Return**” means an issuer’s total appreciation realized in its common stock value, inclusive of dividends and other distributions paid, expressed as a percentage and determined by dividing (A) the sum of (I) the Ending Stock Price minus the Beginning Stock Price plus (II) Dividends Paid, by (B) the Beginning Stock Price, rounded to one decimal place (e.g., 3.3%). In calculating Total Shareholder Return, all dividends are assumed to have been reinvested in shares on the ex-dividend date.

The Total Shareholder Return for each Peer Company and the Company will be calculated based on the Ending Stock Price on the last trading day of each of the four fiscal quarters of the third fiscal year of the Performance Period and a TSR Multiplier (as defined below) will be calculated for each quarter. The four quarterly TSR Multipliers will be averaged to determine the final payout for the Performance Period.

(x) “**TSR Multiplier**” means a number determined as follows:

| TSR Percentile Ranking | TSR Multiplier |
|-------------------------------|-----------------------|
| 90th percentile or higher | 200% |
| 70th percentile | 150% |
| 50th percentile | 100% |
| 25th percentile | 50% |
| Below 25th percentile | 0% |

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

(y) “**TSR Percentile Ranking**” means the Company’s percentile ranking relative to the Peer Companies, based on Total Shareholder Return, calculated as follows: $1 - [(Company Rank - 1) / (Total Number of Peer Companies + the Company - 1)]$, rounding to the nearest whole percentile. For example, if the Company is ranked third out of a group of 13 consisting of the 12 Peer Companies plus the Company, the TSR Percentile Ranking is calculated as $1 - [(3 - 1) / (12 + 1 - 1)]$ or $1 - (2/12)$ or $1 - 0.1667$ or the 83rd percentile. The Company’s rank is determined by ordering the Peer Companies and the Company from highest to lowest based on Total Shareholder Return for each measurement period and counting down from the entity with the highest Total Shareholder Return (ranked first) to the Company’s position on the list. If two entities are ranked equally, the ranking of the next entity shall account for the tie, so that if one entity is ranked first and two entities are tied for second, the next entity is ranked fourth. In the event of a tie between the Company and a member of the Peer Group in TSR ranking (including TSR rankings within 1/10th of one percent), the Company will be ranked above the applicable member of the Peer Group for the applicable measurement period.

{End of Agreement}

Forward Air Corporation
Executive Severance and Change in Control Plan

ORIGINALLY EFFECTIVE JANUARY 1, 2013
AMENDED AND RESTATED MAY 24, 2018
AND FURTHER
AMENDED AND RESTATED OCTOBER 25, 2021

TABLE OF CONTENTS

Page

| | | |
|--------------|-------------------------------------------------------------------------------------------|----|
| ARTICLE I | STATEMENT OF PURPOSE AND EFFECTIVE DATE | 1 |
| 1.01 | Purpose | 1 |
| 1.02 | Effective Date | 1 |
| ARTICLE II | DEFINITIONS | 1 |
| ARTICLE III | PARTICIPATION AND ELIGIBILITY FOR BENEFITS | 5 |
| 3.01 | Eligibility | 5 |
| 3.02 | Participation | 6 |
| 3.03 | Eligibility for Benefits | 6 |
| ARTICLE IV | OBLIGATIONS OF THE EMPLOYER UPON INVOLUNTARY TERMINATION PRIOR TO OR ABSENT A CHANGE DATE | 6 |
| 4.01 | Involuntary Termination | 6 |
| 4.02 | Termination for Any Other Reason | 7 |
| ARTICLE V | OBLIGATIONS OF THE EMPLOYER ON INVOLUNTARY TERMINATION IN THE POST-CHANGE PERIOD | 7 |
| 5.01 | Application | 7 |
| 5.02 | Involuntary Termination in the Post-Change Period | 7 |
| 5.03 | Termination on or After the Change Date for Any Other Reason | 8 |
| 5.04 | Limitation on Benefits | 8 |
| ARTICLE VI | ADMINISTRATION | 9 |
| 6.01 | The Company and Committee | 9 |
| 6.02 | Delegation of Committee Authority | 10 |
| 6.03 | Advisors and Agents of the Committee | 10 |
| 6.04 | Records and Reports of the Committee | 10 |
| 6.05 | Limitation of Liability; Indemnification | 10 |
| 6.06 | Plan Expenses | 10 |
| 6.07 | Service in More than One Capacity | 11 |
| ARTICLE VII | AMENDMENTS; TERMINATION | 11 |
| 7.01 | Amendment or Termination of the Plan | 11 |
| ARTICLE VIII | CLAIMS PROCEDURE | 11 |
| 8.01 | Filing a Claim | 11 |
| 8.02 | Review of Claim Denial | 11 |
| 8.03 | Dispute Resolution | 12 |
| ARTICLE IX | RELEASE; NO MITIGATION; NO DUPLICATION OF BENEFITS; RECOUPMENT | 12 |
| 9.01 | Release Required | 12 |
| 9.02 | No Mitigation | 12 |
| 9.03 | No Duplication of Benefits | 12 |
| 9.04 | Recoupment Policy | 12 |
| ARTICLE X | MISCELLANEOUS | 13 |

TABLE OF CONTENTS
(continued)

Page

| | | |
|------------|---------------------------------------------------|-----|
| 10.01 | Participant Information | 13 |
| 10.02 | Electronic Media | 13 |
| 10.03 | Notices | 13 |
| 10.04 | No Employment Contract | 13 |
| 10.05 | Headings | 13 |
| 10.06 | Construction | 13 |
| 10.07 | Joint and Several Liability | 13 |
| 10.08 | Successors | 13 |
| 10.09 | Payments to Beneficiary | 14 |
| 10.10 | Non-Alienation of Benefits | 14 |
| 10.11 | Tax Matters | 14 |
| 10.12 | Governing Law | 15 |
| 10.13 | Severability | 15 |
| ARTICLE XI | ERISA COMPLIANCE PROVISIONS | 15 |
| 11.01 | Summary Plan Description Provisions | 15 |
| APPENDIX A | PARTICIPATION AND RESTRICTIVE COVENANTS AGREEMENT | A-1 |
| APPENDIX B | GENERAL RELEASE AND WAIVER | B-1 |

Article I
Statement of Purpose and Effective Date

1.01 Purpose. Forward Air Corporation, a Tennessee corporation (the “Company”), hereby establishes the Forward Air Corporation Executive Severance and Change in Control Plan (the “Plan”). The Plan is intended to encourage and motivate key employees to devote their full attention to the performance of their assigned duties without the distraction or concerns regarding their involuntary termination of employment. The Company believes that it is in the best interests of the shareholders of the Company to provide financial assistance through severance payments and other benefits to eligible key employees who are involuntarily terminated. With respect to each Participant, the Plan supersedes all plans, agreements, or other arrangements for severance benefits or for enhanced severance payments whether or not before, on or after a change in control, except as specifically provided herein. To the extent the Plan provides deferred compensation it is an unfunded plan primarily for the purposes of providing deferred compensation for a select group of management or highly compensated employees.

1.02 Effective Date. This Plan is effective as of January 1, 2013 (the “Effective Date”).

Article II
Definitions

When used in this Plan, the terms specified below have the following meanings:

1.01 “Accrued Annual Incentive” means the amount of any annual incentive earned in a year ended before the Termination Date, but not yet paid to a Participant as of the Termination Date, other than amounts that he or she has elected to defer or that have been automatically deferred.

1.02 “Accrued Base Salary” means the amount of a Participant’s Base Salary that is accrued but unpaid as of the Termination Date, other than amounts that he or she has elected to defer.

1.03 “Accrued Obligations” means, as of any date, the sum of a Participant’s Accrued Base Salary, Accrued Annual Incentive, any accrued but unpaid vacation pay, unreimbursed expenses for which proper documentation is provided, and any other vested amounts and benefits that are to be paid or provided to the Participant by the Company under the Company’s plans (other than this Plan and other than any Section 409A Deferred Compensation), but which have not yet been paid or provided (as applicable).

1.04 “Affiliate” means any person with whom the Company would be considered a single employer under Sections 414(b) and 414(c) of the Code and Treas. Reg. § 1.409A-3(i)(5)(ii), except that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code; the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Sections 1563(a)(1), (2), and (3) of the Code, and in applying Treas. Reg. § 1.414(c)-(2) for purposes of determining a controlled group of trades or businesses under Section 414(c) of the Code, the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Treas. Reg. § 1.414(c)-(2). Notwithstanding the foregoing, where justified by legitimate business criteria as determined by the Committee in its sole discretion, “at least 20 percent” shall be substituted for “at least 50 percent” in the preceding sentence in determining whether a Participant has a Termination of Employment.

1.05 “Award Agreement” means a written agreement between the Company and the Participant setting forth the terms and conditions of a stock-based award granted to the Participant under any of the Company’s stock incentive plans, now or hereafter existing.

1.06 “Base Salary” means an Employee’s annual rate of salary as of any date.

1.07 “Board” means the Board of Directors of the Company or, from and after a Change in Control that gives rise to a surviving corporation to the Company, the Board of Directors of such surviving corporation.

1.08 “Cause” means any one or more of the following, as determined by the Committee or its delegate in its sole discretion:

- (a) any act or omission by a Participant which, if convicted by a court of law, would constitute a felony or a crime of moral turpitude;
- (b) a Participant’s dishonesty or material violation of standards of integrity in the course of fulfilling his or her employment duties to the Company or any Affiliate;
- (c) insubordination or a material violation of a material written policy of the Company or any Affiliate, violation of which would be grounds for dismissal under applicable Company policy;
- (d) willful, repeated failure on the part of the Participant to perform his or her employment duties (provided that such duties are ethical and proper under applicable law) in any material respect, after reasonable written notice of such failure and an opportunity to correct it under a circumstance where the conduct constituting “Cause” is reasonably open to a cure (for instance,

where the conduct does not involve a violation of trust or otherwise adversely affect the relationship between the Employee and the Employer on a going-forward basis), and the period to correct shall be established by the Committee;

(e) any act or omission materially adverse to the interest of the Company or any Affiliate, or reasonably likely to result in material harm to the Company or any Affiliate;

(f) failure to comply in any material respect with the Company's Code of Business Conduct and Ethics or Insider Trading Policy, or willful, repeated failure to comply in any material respect with the Company's Executive Stock Ownership and Retention Guidelines; or

(g) failure to comply in any material respect with the Foreign Corrupt Practices Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any rules or regulations thereunder, or any similar, applicable statute, regulation or legal requirement.

1.09 "CEO" means the Chief Executive Officer of the Company.

1.10 "Change Date" means the first date on which a Change in Control occurs before the termination of the Plan.

1.11 "Change in Control" means an event that meets the conditions for a "change in the ownership of a corporation" or a "change in the effective control of a corporation" or a "change in the ownership of a substantial portion of the assets of a corporation" each within the meaning of Section 409A of the Code and Treas. Reg. §1.409A-3(i)(5) through being one or more of the following:

(a) any one person, or more than one person acting as a group, acquires, including without limitation through a tender or exchange offer, merger or other business combination, ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company;

(b) any one person, or more than one person acting as a group, acquires, including without limitation through a tender or exchange offer, merger or other business combination, (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing more than 40% of the total voting power of the stock of the Company;

(c) any one person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 80% of the total gross fair market value of all the assets of the Company immediately before such acquisition or acquisitions; or

(d) a majority of members of the Company's Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by two-thirds of the members of the Company's Board before the date of the appointment or election.

1.12 "Code" means the Internal Revenue Code of 1986, as amended. Reference to any provision of the Code or regulation thereunder, shall include any successor provision and any regulations and other applicable guidance or pronouncement of the Internal Revenue Service or the Department of the Treasury, and applicable case law relating to such Section of the Code.

1.13 "Committee" means the Compensation Committee of the Board. To the extent the Committee has delegated authority to another person or persons the term "Committee" shall refer to such other person or persons.

1.14 "Company" means Forward Air Corporation and any successor thereto.

1.15 "C-Suite Employee" means the Company's Chief Operating Officer, Chief Commercial Officer, Chief Legal Officer, Chief People Officer or Chief Information Officer.

1.16 "Disability" means the Employee is determined to be totally and permanently disabled under any group long-term disability plan in which the Employee participates that is maintained by the Company or the Employee's Employer and in effect at that time, to the extent not inconsistent with applicable law, and in the absence of such a plan means the inability of the Employee, due to any medically determinable physical or mental impairment, to perform the essential functions of his or her job, with or without a reasonable accommodation, for (x) 120 days during any one employment year irrespective of whether such days are consecutive, or (y) such longer period, if any, that is available to the Employee under his or her Employer's policies relating to the continuation of employee status after the onset of disability. In the event of any dispute under this Section, the Employee shall submit to a physical examination by a licensed physician mutually satisfactory to the Company and the Employee, the cost of such examination to be paid by the Company, and the determination of such physician shall be determinative.

1.17 "Effective Date" is defined in Section 1.02.

1.18 "Employee" means an individual who is designated as an employee of an Employer on the records of such Employer.

1.19 “**Employer**” means the Company and an Affiliate any of whose Employees are Participants in the Plan. The term “Employer” includes any successor to the Company or an Employer.

1.20 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended. Reference to any provision of ERISA shall also include any successor provision and regulations and others applicable guidance or pronouncement of a federal regulatory agency and applicable case law relating to such Section of ERISA.

1.21 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

1.22 “**Healthcare Assistance Multiple**” means:

- (a) for the CEO:
 - (i) 24X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 24X for a Termination Date occurring during the Post-Change Period;
- (b) for C-Suite Employees:
 - (i) 18X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 24X for a Termination Date occurring during the Post-Change Period;
- (c) for all other Participants that became Participants in accordance with Section 3.02 prior to the Restatement Date:
 - (i) 12X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 24X for a Termination Date occurring during the Post-Change Period;
- (d) for all other Participants that become Participants in accordance with Section 3.02 on or after the Restatement Date:
 - (i) 12X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 12X for a Termination Date occurring during the Post-Change Period.

1.23 “**Good Reason**” means, prior to or absent the occurrence of a Change in Control, a greater than 20% reduction in any of the Participant’s base salary, target short-term cash incentive opportunity or value of regular annual long-term target incentive opportunity, the latter as determined by a third-party compensation consulting or accounting firm chosen by the Company and using generally accepted methodologies which may include annualizing prior year long-term incentive grants over more than one year and ignoring prior special retention or sign-on grants, other than a broad-based compensation reduction imposed across-the-board on executives at the vice president or higher level within the Company, and means, after the Change Date, any one or more of the following actions or omissions occurring during the Post-Change Period without the Participant’s consent:

- (i) a material reduction in the Participant’s base salary or short-term/annual target cash incentive opportunity;
- (ii) a material reduction in the Participant’s regular annual grant value of long-term incentives as determined by a third-party compensation consulting or accounting firm chosen by the Company and using generally accepted methodologies which may include annualizing prior year long-term incentive grants over more than one year and ignoring prior special retention or sign-on grants;
- (iii) requiring the Participant to be principally based at any office or location, without the Participant’s consent, more than 50 miles from the Participant’s then-current principal location and also farther from the Participant’s residence than the Participant’s then-current principal office or location;
- (iv) any material diminution in the Participant’s authority, duties or responsibilities, but excluding a mere change in reporting relationship or title; or
- (v) any material breach of this Plan by any Employer or the Committee;

provided that, in order for there to be a Termination of Employment by a Participant for Good Reason, the Participant must notify the Participant’s Employer of the event constituting such Good Reason within 90 days of the occurrence of such event, by a Notice of Termination. The Employer must have failed to cure the event constituting Good Reason within 30 days following receipt of the Notice of Termination and the Participant must terminate employment within five days after the lapse of the cure period if no cure is effected. A delay in the delivery of such Notice of Termination or in the Termination of Employment after the lapse of the cure period shall waive the right of the Participant under this Plan to terminate employment for Good Reason. For the avoidance of doubt, no material diminution of authority, duties or responsibilities shall be deemed to occur solely because the Company becomes a subsidiary of another corporation if the Participant’s authority, duties and responsibilities to the Company or his Employer remain materially undiminished, and no material diminution of authority, duties or responsibilities shall be deemed to occur if the Participant’s board chairmanship responsibilities are eliminated but his other titles and responsibilities continue intact.

1.24 “**Including**” means including without limitation.

1.25 “Involuntary Termination” means the Termination of Employment of a Participant (a) initiated by the Employer other than for Cause or Disability, and (b) for a reason other than death. A Termination of Employment initiated by the Participant for Good Reason shall also be an Involuntary Termination. For the avoidance of doubt, a Participant shall not have an Involuntary Termination of Employment if he or she (i) voluntarily resigns; (ii) voluntarily Retires; or (iii) has a Termination of Employment because of death or Disability.

1.26 “Notice of Termination” means a written notice given in accordance with Section 10.03 that sets forth (i) the specific termination provision in this Plan relied on by the party giving such notice, (ii) in reasonable detail the circumstances claimed to provide a basis for such Termination of Employment, and (iii) if the Termination Date is other than the date of receipt of such Notice of Termination (and is not determined under Section 2.34(a), (b), or (c)), the Termination Date.

1.27 “Participant” means an Employee who is selected by the Committee to participate in the Plan and has timely entered into a Participation and Restrictive Covenants Agreement, substantially in the form attached hereto as Appendix A; provided that such participation has not been terminated pursuant to Section 3.04.

1.28 “Plan” means this Forward Air Corporation Executive Severance and Change in Control Plan as set forth herein and as from time to time amended.

1.29 “Plans” means plans, programs, or Policies of the Company or the Employer that employs a Participant.

1.30 “Policies” means policies, practices or procedures of the Company or the Employer that employs a Participant.

1.31 “Post-Change Period” means the period beginning on the Change Date and ending on the second anniversary of the Change Date.

1.32 “Pro-rata Annual Incentive” means, in respect of an Employer’s fiscal year during which the Termination Date occurs, an amount equal to the product of (a) (i) in the case of a Termination Date before the Change Date, the actual annual incentive the Participant would have been paid if he or she remained employed on the payment date applicable to then-current employees, and (ii) in the case of a Termination Date on or after the Change Date, the Participant’s Target Annual Incentive (determined as of the Termination Date) multiplied by (b) a fraction, the numerator of which equals the number of days from and including the first day of such fiscal year through and including the Termination Date, and the denominator of which equals 365.

1.33 “Restatement Date” means [_____], 2021.

1.34 “Retire” or “Retirement” means a voluntary Termination of Employment after attaining age 65 (or such other age at which the Company or Employer permits early retirement).

1.35 “Section 409A Deferred Compensation” means a deferral of compensation that is subject to (and not otherwise exempt from) the requirements of Section 409A of the Code.

1.36 “Severance Multiple” means

- (a) for the CEO:
 - (i) 2.0X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 2.0X for a Termination Date occurring during the Post-Change Period;
- (b) for C-Suite Employees:
 - (i) 1.5X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 2.0X for a Termination Date occurring during the Post-Change Period;
- (c) for all other Participants that became Participants in accordance with Section 3.02 prior to the Restatement Date:
 - (i) 1.0X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 2.0X for a Termination Date occurring during the Post-Change Period;
- (d) for all other Participants that become Participants in accordance with Section 3.02 on or after the Restatement Date:
 - (i) 1.0X for a Termination Date occurring before or absent a Change Date, and
 - (ii) 1.0X for a Termination Date occurring during the Post-Change Period.

(e) Notwithstanding the foregoing, if on the Termination Date the Company maintains generally applicable severance arrangements for a broad-based group of employees with a formula that would provide severance benefits to a Participant in a greater amount than results from the application of the Severance Multiple shown above, the applicable Severance Multiple (and the Healthcare Assistance Multiple) shall be adjusted upward as necessary so that the amount paid to such Participant is not less than the amount that would be paid under such generally applicable severance arrangement. Such adjusted amount shall be paid at the time and in the form of payment in Section 4.01(a)(iii).

1.37 “**Target Annual Incentive**”, as of any date, means the amount equal to the product of a Participant’s Base Salary multiplied by the percentage of such Base Salary to which such Participant would be entitled as an annual incentive, based on the terms in effect on such date under any annual incentive plans for the performance period for which the annual incentive is awarded if the performance goals established pursuant to such bonus plan were achieved at the 100% (target) level as of the end of the performance period, but disregarding any reduction in Target Annual Incentive that would constitute Good Reason.

1.38 “**Termination Date**” means the date of the receipt of the Notice of Termination by a Participant (if such Notice of Termination is given by the Company or the Participant’s Employer) or by the Participant’s Employer (if such Notice is given by the Participant), or any later date specified in the Notice of Termination but not more than 35 days after the giving of such Notice if the Notice of Termination is given by the Participant for Good Reason and not more than 15 days after the giving of such Notice of Termination in all other cases, on which an Employee has a Termination of Employment; provided, however, that:

- (a) if the Participant’s employment is terminated by reason of death, the Termination Date shall be the date of the Participant’s death;
- (b) if the Participant’s employment is terminated by reason of Disability, the Termination Date shall be the date assigned by the Company’s Human Resource function;
- (c) if no Notice of Termination is given, the Termination Date shall be the last date on which the Participant is at work; and
- (d) if the Notice of Termination is for a Termination by the Participant for Good Reason, the Termination Date shall be the 35th day after the giving of the Notice of Termination if the Employer has not cured the Good Reason.

1.39 “**Termination of Employment**” means in respect of a Participant, a termination of employment as determined by the Committee; provided, however, that with respect to payment of any Section 409A Deferred Compensation, “Termination of Employment” shall mean “separation from service” within the meaning of Section 409A of the Code.

Article III Participation and Eligibility for Benefits

1.01 Eligibility.

(a) Generally, Employees holding a position of vice president or a more senior position with the Company or an Affiliate are eligible to be selected by the Committee to participate in the Plan, subject to each such Employee fulfilling the requirements to participate as provided in Section 3.02. The Committee in its discretion also may designate selected Employees with a position below the vice president level to be eligible to participate in this Plan.

(b) Notwithstanding subsection (a), any individual who is (i) a party to an agreement (“Employment Agreement”) between the individual and an Employer that provides for payments upon Termination of Employment (either before or after a Change in Control) or (ii) entitled to Section 409A Deferred Compensation paid in installments as severance after a separation from service pursuant to a broad-based severance plan; shall not be eligible to become a Participant in this Plan until the next January 1 after he or she ceases to be covered by such Employment Agreement or severance plan. Where Employee consent is required to terminate an Employment Agreement, such consent shall be given (if at all) at such time and under such circumstances as the Committee may require in its discretion.

(c) The Committee shall maintain a list of Participants, as in effect from time to time, included as Attachment A to this Plan.

1.02 Participation. Except as provided in Section 3.01(b), each eligible Employee shall become a Participant in the Plan on the first date (not earlier than the Effective Date) on which he or she has been designated by the Committee as an Employee who is eligible to participate and he or she has delivered to the Company, within such timeframe as may be specified by the Committee, a signed Participation and Restrictive Covenants Agreement in substantially the form attached hereto as Appendix A.

1.03 Eligibility for Benefits. A Participant becomes eligible for benefits under the Plan if, prior to or absent a Change Date or during the Post-Change Period, the Participant has an Involuntary Termination or a Termination of Employment for Good Reason. For the avoidance of doubt, a Termination of Employment for Good Reason will be treated as having occurred during the Post-Change Period, notwithstanding the fact that actual separation from service occurs after the Post-Change Period has expired, if the Good Reason arises during the Post-Change Period, the Participant timely provides a Notice of Termination within 90 days of the occurrence of the event giving rise to such Good Reason, the Employer fails to cure the event constituting Good Reason within 30 days following receipt of the Notice of Termination and the Participant terminates employment within five days after the lapse of the cure period.

Article IV
Obligations of the Employer Upon Involuntary Termination
Prior to or Absent a Change Date

1.01 Involuntary Termination. If a Participant has an Involuntary Termination, then unless Article V applies, the Employer's sole obligations to such Participant under the Plan shall be as follows:

- (a) The Employer shall pay the Participant the following:
 - (i) all Accrued Obligations in a single lump sum payment within 15 days after the Termination Date; and
 - (ii) subject to Section 9.01, an amount equal to the Base Salary determined as of the Termination Date, multiplied by the applicable Severance Multiple (the "Severance Payment"). Unless otherwise provided in the Participant's Participation and Restrictive Covenants Agreement, the Severance Payment shall be paid in a single lump sum payment. The Severance Payment shall be made (or commence, as applicable) no more than 60 days after the Termination of Employment, provided the applicable revocation period for the release required by Section 9.01 has expired at that time, and subject to Section 10.11(c) and Section 10.11(e); and
 - (iii) subject to Section 9.01, the Participant's Pro-rata Annual Incentive for the Employer's fiscal year during which the Termination Date occurs, reduced (but not below zero) by the amount of any Annual Incentive previously paid to the Participant for such fiscal year (for example, if the Annual Incentive is paid quarterly and one or more quarterly payments have been made before the Termination Date); the Pro-rata Annual Incentive shall be paid at the same time and in the same form as the Annual Incentives for such fiscal year are paid to ongoing employees; but no later than two and one-half months after the last day of the fiscal year following the fiscal year in which the Termination Date occurs.
- (b) The Employer shall provide for post-Termination of Employment nonqualified deferred compensation benefits, equity awards, and employee welfare benefits pursuant to the terms of the respective Plans and Policies under which such post-Termination of Employment benefits, awards and welfare benefits, if any, are provided, except as provided in (c) below.
- (c) Subject to Section 9.01, if as of the Termination Date the Participant is participating in the Company's or the Employer's healthcare plan with respect to medical, vision, prescription and/or dental coverage and, as a result of the Termination of Employment, will be eligible for post-termination continuation coverage under Section 4980B of the Code ("COBRA"), then the Employer shall pay to the Participant, in a lump sum payment (the "Healthcare Assistance Payment"), an amount equal to (i) the excess of the monthly premium rate for such COBRA coverage for the Participant and his or her eligible dependents (measured as of the Termination of Employment) over the monthly premium rate payable by active employees (i.e., the non-Employer paid portion) for similar employer-provided coverage (measured as of the Termination of Employment), multiplied by (ii) the applicable Healthcare Assistance Multiple. The Healthcare Assistance Payment shall be made no more than 60 days after the Termination of Employment, provided the applicable revocation period for the release required by Section 9.01 has expired at that time, and subject to Section 10.11(c) and Section 10.11(e).
- (d) Subject to Section 9.01, for a period of one year measured from the Termination Date, the Employer shall provide up to \$20,000 worth of outplacement services to the Participant through an outplacement service provider reasonably selected by the Employer.

1.02 Termination for Any Other Reason. If a Participant has a Termination of Employment for any reason other than as described in Section 4.01 (including termination by the Employer for Cause, termination by the Employee other than for Good Reason, termination by the Employer or the Employee for Disability, Retirement, or termination on account of death), then unless Article V applies, the Employer's sole obligations to such Participant under the Plan shall be to pay the Participant all Accrued Obligations determined as of the Termination Date.

Article V
Obligations of the Employer on Involuntary Termination
in the Post-Change Period

1.01 Application. If a Participant has an Involuntary Termination during the Post-Change Period a Participant shall be entitled to benefits under this Article V in lieu of, and not in addition to, benefits under Article IV. For the avoidance of doubt, a Termination of Employment for Good Reason will be treated as having occurred during the Post-Change Period, notwithstanding the fact that actual separation from service occurs after the Post-Change Period has expired, if the Good Reason arises during the Post-Change Period, the Participant timely provides a Notice of Termination within 90 days of the occurrence of the event giving rise to such Good Reason, the Employer fails to cure the event constituting Good Reason within 30 days following receipt of the Notice of Termination and the Participant terminates employment within five days after the lapse of the cure period.

1.02 Involuntary Termination in the Post-Change Period. If a Participant has an Involuntary Termination during the Post-Change Period for which a Notice of Termination is timely given, then the Employer's sole obligations to such Participant under the Plan shall be as follows:

- (a) The Employer shall pay the Participant the following:
 - (i) all Accrued Obligations in a single lump sum payment within 15 days after the Termination Date;

(ii) subject to Section 9.01, the Participant's Pro-rata Annual Incentive for the Employer's fiscal year during which the Termination Date occurs, reduced (but not below zero) by the amount of any Annual Incentive paid to the Participant for such fiscal year (for example, if the Annual Incentive is paid quarterly and one or more quarterly payments have been made before the Termination Date). The Pro-rata Annual Incentive shall be paid in a single lump sum payment; and

(iii) subject to Section 9.01, an amount equal to the sum of Base Salary and the Target Annual Incentive, each determined as of the Termination Date, multiplied by the applicable Severance Multiple ("Post-Change Severance Payment"); provided, however, that any reduction in the Participant's Base Salary or Target Annual Incentive that would qualify as Good Reason shall be disregarded for this purpose.

The amount described in Section 5.02(a)(ii) and, unless otherwise provided in the Participant's Participation and Restrictive Covenants Agreement, the Post-Change Severance Payment shall be paid in a lump sum no more than sixty days after the Termination of Employment, provided the applicable revocation period required for the release under Section 9.01 has expired at that time; and subject to Section 10.11(c) and Section 10.11(e).

(b) Post-Termination of Employment non-qualified deferred compensation benefits, equity awards, and employee welfare benefits shall be provided pursuant to the terms of the respective Plans and Policies under which such post-Termination of Employment benefits, awards and welfare benefits, if any, are provided, except as provided in (c) below.

(c) Subject to Section 9.01, if as of the Termination Date the Participant is participating in the Company's or the Employer's healthcare plan with respect to medical, vision, prescription and/or dental coverage and, as a result of the Termination of Employment, will be eligible for post-termination continuation coverage under Section 4980B of the Code ("COBRA"), then the Employer shall pay to the Participant, in a lump sum payment (the "Healthcare Assistance Payment"), an amount equal to (i) the excess of the monthly premium rate for such COBRA coverage for the Participant and his or her eligible dependents (measured as of the Termination of Employment) over the monthly premium rate payable by active employees (i.e., the non-Employer paid portion) for similar employer-provided coverage (measured as of the Termination of Employment), multiplied by (ii) the applicable Healthcare Assistance Multiple. The Healthcare Assistance Payment shall be made no more than 60 days after the Termination of Employment, provided the applicable revocation period for the release required by Section 9.01 has expired at that time, and subject to Section 10.11(c) and Section 10.11(e).

(d) Subject to Section 9.01, for a period of one year measured from the Termination Date, the Employer shall provide up to \$20,000 worth of outplacement services to the Participant through an outplacement service provider reasonably selected by the Employer.

1.03 Termination on or After the Change Date for Any Other Reason If a Participant has a Termination of Employment for which a Notice of Termination is given during the Post-Change Period, for any reason other than as described in Section 5.02 (including termination by the Employer for Cause, termination by the Employee other than for Good Reason, termination by the Employer or the Employee for Disability, Retirement, or termination on account of death), then the Employer's sole obligation to the Participant under this Plan shall be to pay the Participant all Accrued Obligations determined as of the Termination Date.

1.04 Limitation on Benefits.

(a) In the event it shall be determined that any payment or distribution by an Employer to or for the benefit of the Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) (a "Payment") would be nondeductible by the Employer for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of amounts payable or distributable to or for the benefit of the Participant pursuant to this Plan ("Plan Payments") shall be reduced to the Reduced Amount if, and only if, by reason of such reduction, the net after-tax benefit received by the Participant, taking into account the applicable federal, state, local and foreign income, employment and other taxes, is greater than the net after-tax benefit that would be received by the Participant if no such reduction was made, taking into account the applicable federal, state, local and foreign income, employment and other taxes, including the excise tax imposed by Section 4999 of the Code. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Plan Payments without causing any Payment to be nondeductible by the Employer because of Section 280G of the Code. Such reduction shall be applied before any reduction of any other payments that are not Plan Payments unless the plan or agreement calling for such payments expressly provides to the contrary making specific reference to this Plan. Anything to the contrary notwithstanding, if the Reduced Amount under the Plan is zero and it is determined further that any Payment that is not a Plan Payment would nevertheless be nondeductible by the Employer for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of Payments which are not Plan Payments shall also be reduced (but not below zero) to an amount expressed in present value which maximizes the aggregate present value of Payments without causing any Payment to be nondeductible by the Employer because of Section 280G of the Code. For purposes of this Section, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) The Committee shall select a firm of certified public accountants of national standing, (the "Accounting Firm"), which may be the firm regularly auditing the financial statements of the Company or the Employer. The Accounting Firm shall make all determinations required to be made under this Section and shall provide detailed supporting calculations to the Company, the Employer and the Employee within 30 days after the Termination Date or such earlier time as is requested by the Company, and provide an opinion to the Participant that he or she has substantial authority not to report any Excise Tax on his or her Federal income tax return with respect to any Payments. Any such determination by the Accounting Firm shall be

binding upon the Company, the Employer and the Participant. The Accounting Firm shall determine how much of the Plan Payment or Payments, as the case may be, shall be eliminated or reduced consistent with the requirements of this Section and any such reduction shall apply first to lump sum cash amounts payable pursuant to this Plan in the form of the Severance Payment or the Post-Change Severance Payment, as applicable. Subject to Sections 9.01, 10.11(c) and 10.11(e), within five business days thereafter, the Employer shall pay to or distribute to or for the benefit of the Participant such amounts as are then due to the Participant under this Plan.

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm or the Company hereunder, it is possible that Plan Payments or Payments, as the case may be, will have been made by the Employer which should not have been made (“Overpayment”) or that additional Plan Payments or Payments, as the case may be, which will not have been made by the Employer could have been made (“Underpayment”), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against the Employee which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, promptly on notice and demand the Participant shall repay to the Employer any such Overpayment paid or distributed by the Employer to or for the benefit of the Participant together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such amount shall be payable by the Participant to the Employer if and to the extent such payment would not either reduce the amount on which the Participant is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Participant together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

Article VI Administration

1.01 The Company and Committee.

(a) The Company shall have overall responsibility for the establishment, amendment and termination of the Plan. In carrying out its responsibilities hereunder, the Company shall act through the Committee. The Committee shall have, in its discretion, the responsibilities, duties, powers and authority, assigned to it in this Plan and any responsibilities, duties, powers and authority, under this Plan that are not specifically delegated to anyone else, including the following:

- (i) to determine which individuals shall be selected as Participants.
- (ii) to decide on questions concerning the Plan and the eligibility of any Participant to participate in the Plan, including whether the Participant should remain (or become) a Participant;
- (iii) to determine the nature and timing of any Termination of Employment or the existence of Good Reason;
- (iv) subject to any limitations under the Plan or applicable law, to make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;
- (v) to require any person to furnish such information as it may request as a condition to receiving any benefit under the Plan;
- (vi) to compute or have computed the amount of benefits that shall be payable to any person in accordance with the provisions of the Plan;
- (vii) to construe and interpret the Plan and correct defects, supply omissions and reconcile inconsistencies in the Plan; and
- (viii) to make all other decisions and determinations (including factual determinations) as the Committee may deem necessary or advisable in carrying out its duties and responsibilities or exercising its powers.

(b) Decisions of the Committee shall be final, conclusive and binding on all persons interested in the Plan, including Participants, beneficiaries and other persons claiming rights from or through a Participant.

1.02 Delegation of Committee Authority. The Committee may delegate to officers or employees of the Company, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such administrative functions and exercise such administrative powers and authority, as the Committee in its discretion may determine. Such delegation may be revoked at any time.

1.03 Advisors and Agents of the Committee. The Committee may (i) authorize one or more of its members or an agent to execute or deliver any instrument, and make any payment on its behalf and (ii) utilize and cause the Company to pay for the services of associates and engage accountants, agents, clerks, legal counsel, record keepers and professional consultants (any of whom may also be serving an Employer or another Affiliate of the Company) to assist in the administration of this Plan or to render advice with regard to any responsibility under this Plan.

1.04 Records and Reports of the Committee. The Committee or its delegate shall maintain records and accounts relating to the administration of the Plan.

1.05 Limitation of Liability; Indemnification.

(a) The members of the Board and the Committee shall have no liability with respect to any action or omission made by them in good faith nor from any action made in reliance on (i) the advice or opinion of any accountant, legal counsel, medical adviser or other professional consultant or (ii) any resolutions of the Board certified by the secretary or assistant secretary of the Company. Each member of the Board, the Committee, and each employee to whom are delegated duties, responsibilities and authority with respect to the Plan shall be indemnified, defended, and held harmless by the Company and the Employers and their respective successors against all claims, liabilities, fines and penalties and all expenses (including but not limited to attorneys' fees) reasonably incurred by or imposed on such member or Participant that arise as a result of his actions or failure to act in connection with the operation and administration of the Plan, to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty or expense is not paid for by liability insurance purchased by or paid for by the Company or an Employer. Notwithstanding the foregoing, the Company or an Employer shall not indemnify any person for any such amount incurred through any settlement or compromise of any action unless the Company or an Employer consent in writing to such settlement or compromise.

(b) The Company will continue to cover each Participant under its directors' and officers' insurance policy following the Termination Date for a period of time equal to the applicable statute of limitations. The Company shall indemnify and hold each Participant harmless to the fullest extent legally permitted or authorized by the Company's by-laws or, if greater, by the laws of the State of Tennessee, as may be in effect from time to time, in respect of any liability, damage, cost or expense (including reasonable attorneys' fees) actually and reasonably incurred in connection with the defense of any claim, action, suit or proceeding to which the Participant is a party by reason of the Participant's being or having been an officer or director of the Company or any subsidiary or affiliate thereof, or the Participant's serving or having served at the request of such other entity as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, business organization, enterprise or other entity, including service with respect to employee benefit plans. Without limiting the generality of the foregoing, the Company shall pay the expenses (including reasonable attorneys' fees) actually and reasonably incurred in defending any such claim, action, suit or proceeding in advance of its final disposition, upon receipt of the Participant's undertaking to repay all amounts advanced unless it is ultimately determined that Executive is entitled to be indemnified under this Section.

1.06 Plan Expenses. Expenses relating to the Plan before its termination shall be paid from the general assets of the Company or an Employer. Any individual who serves as a member of the Committee shall receive no additional compensation for such service.

1.07 Service in More than One Capacity. Any person or group of persons may serve the Plan in more than one capacity.

**Article VII
Amendments; Termination**

1.01 Amendment or Termination of the Plan. The Company by duly adopted resolution of the Committee shall have the sole right to alter, amend or terminate this Plan in whole or in part at any time and to terminate the participation of any Employee; provided, however, that:

(a) any such adverse amendment or termination shall be effective only as to those Participants, if any, who have consented to such amendment or termination or who have received from the Company at least 12 months' prior written notice ("Amendment Notice" or "Expiration Notice," respectively) of such adverse amendment or termination that sets forth the date of termination or amendment ("Amendment Date" or "Expiration Date"), and

(b) no such Amendment Notice or Expiration Notice shall be effective as to any Participant if a Change Date occurs before the Amendment or Expiration Date specified in the Amendment Notice or Expiration Notice.

Any purported Plan termination or amendment in violation of this Section 7.01 shall be void and of no effect.

**Article VIII
Claims Procedure**

1.01 Filing a Claim.

(a) No claim shall be required for benefit due under the Plan. Any individual eligible for benefits under this Plan who believes he or she is entitled to additional benefits or who desires to clarify his or her right to future benefits under the Plan ("Claimant") may submit his application for benefits ("Claim") to the Committee (or to such other person or persons as may be designated by the Committee) in writing in such form as is provided or approved by the Committee. The Committee shall be the named fiduciary for purposes of this Plan.

(b) When a Claim has been filed properly, it shall be evaluated and the Claimant shall be notified of the approval or the denial of the Claim within 90 days after the receipt of such Claim. A Claimant shall be given a written notice in which the

Claimant shall be advised as to whether the Claim is granted or denied, in whole or in part. If a Claim is denied, in whole or in part, the notice shall contain (i) the specific reasons for the denial, (ii) references to pertinent provisions of this Plan on which the denial is based, (iii) a description of any additional material or information necessary to perfect the Claim and an explanation of why such material or information is necessary, and (iv) a description of the Plan's review procedure and time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on review.

1.02 Review of Claim Denial. If a Claim is denied, in whole or in part, or if a Claim is neither approved nor denied within the 90-day period specified Section 8.01(b), the Claimant shall have the right, within 60 days after receipt of such denial (or after such claim is deemed denied), to (i) request that the Committee (or such other person or persons as shall be designated in writing by the Committee) review the denial or the failure to approve or deny the Claim, (ii) review pertinent documents, and (iii) submit issues and comments in writing.

(a) Within 60 days after a such request is received, the Committee shall complete its review and give the Claimant written notice of its decision.

(b) The Committee shall include in its notice to Claimant (i) the specific reasons for its decision; (ii) references to pertinent provisions of this Plan on which its decision is based; (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan and all documents, records and other information relevant to his or her claim for benefits; and (iv) a statement describing the Claimant's right to bring an action under Section 502(a) of ERISA.

(c) A Claimant shall have no right to seek review of a denial of benefits, or to bring any action in any court to enforce a Claim, before his filing a Claim and exhausting his rights to review under Sections 8.01 and 8.02.

1.03 Dispute Resolution. The Company and the Participant agree to attempt to resolve any dispute between them quickly and fairly through informal, good faith negotiations. If a mutually satisfactory resolution is not reached by such good faith negotiations within 45 days, the Company and the Participant agree that the state courts of Greene County, State of Tennessee and, if the jurisdictional prerequisites exist at the time, the federal courts in the Eastern District of Tennessee, shall have sole and exclusive jurisdiction to hear and determine any dispute or controversy arising under or relating to this Plan. The Company and each Participant irrevocably (i) consents to the exclusive jurisdiction and venue of the courts of Greene County, State of Tennessee and federal courts in the Eastern District of Tennessee, in any and all actions arising under or relating to this Plan (including Appendix A and Appendix B hereto), and (ii) waives any jurisdictional defenses (including personal jurisdiction and venue) to any such action. The Committee's interpretation of Plan provisions, and any findings of fact, including eligibility to participate and eligibility for benefits, are final, shall be given deference by any court of law and will not be subject to "de novo" review unless shown to be arbitrary and capricious. The Company and Participant will each separately pay its counsel fees and expenses unless otherwise determined by a court of competent jurisdiction.

Article IX

Release; No Mitigation; No Duplication of Benefits; Recoupment

1.01 Release And Compliance with Participation and Restrictive Covenants Agreement Required Any and all amounts payable and benefits or additional rights provided pursuant to this Plan other than the Accrued Obligations and amounts provided under Section 4.01(b) and 5.02(b) shall only be payable if (i) the Participant fully complies with the Participant's continuing obligations under the Participation and Restrictive Covenant Agreement, and (ii) the Participant (or Participant's beneficiary in the event of Participant's death) timely delivers to the Employer and does not revoke a general waiver and release of claims in favor of the Company and related parties ("Company Parties") in substantially the form attached hereto as Appendix B, with such changes therein as may be necessary to make it valid and encompassing under applicable law, and the revocation period related to such general waiver and release has expired. Such general waiver and release shall be executed and delivered (and the revocation period related thereto, if any, shall have lapsed without revocation having been made) within sixty (60) days following the Termination Date. In the event the Participant breaches the Participation and Restrictive Covenant Agreement, the Participant shall forfeit and return to the Company all amounts and benefits paid or payable under this Plan other than the Accrued Obligations and the amounts provided under Section 4.01(b) and 5.02(b).

1.02 No Mitigation. No Participant shall have any duty to mitigate the amounts payable under this Plan by seeking or accepting new employment or self-employment following termination. Except as specifically otherwise provided in this Plan, all amounts payable pursuant to this Plan shall be paid without reduction regardless of any amounts of salary, compensation or other amounts that may be paid or payable to the Participant as the result of the Participant's employment by another employer or self-employment.

1.03 No Duplication of Benefits. Subject to Section 10.11(f), to the extent that a Participant shall have received severance payments or other severance benefits under any other Plan or agreement of the Company before receiving severance payments or other severance benefits pursuant to Article IV or Article V, the severance payments or other severance benefits under such other Plan or agreement shall reduce (but not below zero) the corresponding severance payments or other severance benefits to which such Participant shall be entitled under Article IV or Article V. To the extent that a Participant accepts payments made

pursuant to Article IV or Article V, he shall be deemed to have waived his right to receive a corresponding amount of future severance payments or other severance benefits under any other Plan or agreement of the Company. Payments and benefits provided under the Plan shall be in lieu of any termination or severance payments or benefits for which the Participant may be eligible under any of the Plans or Policy of the Company or an Affiliate or under the Worker Adjustment Retraining Notification Act of 1988 or any similar statute or regulation.

1.04 Recoupment Policy. The payments and benefits provided under this Plan shall be subject to recovery under any clawback, recovery or recoupment policy which the Company or an Employer may adopt from time to time, including without limitation the Company's existing Recoupment Policy and any policy which the Company or an Employer may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law and the rules and regulations of the U.S. Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Company's common stock may be listed.

Article X Miscellaneous

1.01 Participant Information. Each Participant shall notify the Committee of his home address and each change of home address. Each Participant shall also furnish the Committee with any other information and data that the Committee considers necessary for the proper administration of the Plan. The information provided by the Participant under this Section shall be binding on the Participant, his dependents and any beneficiary for all purposes of the Plan and the Committee shall be entitled to rely on any representations regarding personal facts made by a Participant, his dependents or beneficiary, unless such representations are known to be false.

1.02 Electronic Media. Under procedures authorized or approved by the Committee, any form for any notice, election, designation, or similar communication required or permitted to be given to or received from a Participant under this Plan may be communicated or made available to the Company or Participant in an electronic medium (including computer network, e-mail or voice response system) and any such communication to or from a Participant or Beneficiary through such electronic media shall be fully effective under this Plan for such purposes as such procedures shall prescribe. Any record of such communication retrieved from such electronic medium under its normal storage and retrieval parameters shall be effective as a fully authentic executed writing for all purposes of this Plan absent manifest error in the storage or retrieval process.

1.03 Notices. All notices and other communications under this Plan shall be in writing and delivered by hand, by nationally recognized delivery service that promises overnight delivery, or by first-class registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Participant, at his most recent home address on file with the Company.

If to the Company or any other Employer,

Forward Air Corporation
4370 Old Dixie Road
Hapeville, GA 30354
Attn.: Chief Legal Officer

or to such other address as either party shall have furnished to the other in writing. Notice and communications shall be effective the day of receipt if delivered by hand or electronically, the second business day after deposit with an overnight delivery service if so deposited, or the fifth business day after mailing in the case of first class registered or certified mail.

1.04 No Employment Contract. The existence of this Plan shall not confer any legal or other rights upon any Participant to employment or continuation of employment. Employees are employees at will. The Company and each Employer reserve the right to terminate any Participant with or without cause at any time, notwithstanding the provisions of this Plan.

1.05 Headings. The headings in this Plan are for convenience of reference and shall not be given substantive effect.

1.06 Construction. Any masculine pronoun shall also mean the corresponding female or neuter pronoun, as the context requires. The singular and plural forms of any term used in this Plan shall be interchangeable, as the context requires.

1.07 Joint and Several Liability. In the event that any Employer incurs any obligation to a Participant pursuant to this Plan, such Employer, the Company and each Affiliate, if any, of which such Employer is a subsidiary shall be jointly and severally liable with such Employer for such obligation.

1.08 Successors. This Plan shall inure to the benefit of and be binding upon the Company, each Employer and their respective successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of any Employer to assume expressly and agree to

comply with this Plan in the same manner and to the same extent that the Employer would be required to comply with it if no such succession had taken place. Failure to require such assumption will be a material breach of this Plan. Any successor to the business or assets of any Employer that assumes or agrees to perform this Plan by operation of law, contract, or otherwise shall be jointly and severally liable with the Employer under this Plan as if such successor were the Employer.

1.09 Payments to Beneficiary. If a Participant dies after becoming entitled to payments under Section 4.01 or 5.02 but before receiving all amounts to which he is entitled under this Plan, then, subject to Section 9.01, such remaining amounts shall be paid to his or her estate.

1.10 Non-Alienation of Benefits. Benefits payable under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, before actually being received by the Participant, and any such attempt to dispose of any right to benefits payable under this Plan shall be void.

1.11 Tax Matters.

(a) An Employer may withhold from any amounts payable under this Plan or from any other amount due a Participant any federal, state, local and other income, employment and other taxes that are required to be withheld pursuant to any applicable law or regulation.

(b) The intent of the Employers is that payments and benefits under this Plan are exempt from or comply with Section 409A of the Code and, accordingly, to the maximum extent permitted, this Plan shall be interpreted in accordance with that intent. To the extent that any provision hereof is modified in order to comply with Section 409A of the Code, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Participant and the Employer of the applicable provision without violating the provisions of Section 409A of the Code. In no event whatsoever shall the Company or any Employer be liable for any additional tax, interest or penalty that may be imposed on a Participant or Employee by Section 409A of the Code or damages for failing to comply with Section 409A of the Code.

(c) If a Participant is deemed on the Termination Date to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit that is considered "nonqualified deferred compensation" under Section 409A of the Code payable on account of a "separation from service" and which becomes payable under the terms of the Plan within six months following such separation from service, then, to the extent required by Section 409A of the Code, such payment or benefit shall not be made or provided until the date which is the earlier of (i) the day after the expiration of the six-month period measured from the date of such "separation from service" of the Employee, and (ii) the date of the Employee's death. Upon the expiration of the six-month delay period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum without interest, and all remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein.

(d) To the extent that reimbursements or other in-kind benefits under this Plan constitute "nonqualified deferred compensation" for purposes of Section 409A of the Code, (A) all expenses or other reimbursements hereunder shall be made on or before the last day of the taxable year following the taxable year in which such expenses were incurred by the Participant, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year.

(e) For purposes of Section 409A of the Code, the Participant's right to receive installment payments pursuant to this Plan shall be treated as a right to receive a series of separate and distinct payments. Whenever this Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Employer and the Participant shall have no right to directly or indirectly specify the date of payment; provided that if the timing of the payment is contingent on the lapse or expiration of the revocation period for the release required under Section 9.01 and such revocation period could, as of the Termination Date, lapse either in the same year as the Termination Date or in the following year, the actual date of payment within the specified period shall be in such following year.

(f) Notwithstanding any other provision of this Plan to the contrary, in no event shall any payment or benefit under this Plan that constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code be subject to offset by any other amount unless such offset would not trigger additional taxes and penalties under Section 409A of the Code.

1.12 Governing Law. The provisions of this Plan shall be governed, construed and administered in accordance with the laws of the State of Tennessee, other than its laws respecting choice of law, except to the extent preempted by federal law, including ERISA.

1.13 Severability. If any one or more Articles, Sections or other portions of this Plan are declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any Article, Section or other portion not so declared to be unlawful or invalid; provided that if the release required under Section 10.01 is declared to be unlawful or unenforceable, then no payments shall be made the payment of which is subject to such release, and the Participant shall

forthwith restore to the Employer any payments previously made that were subject to such release. Any Article, Section or other portion so declared to be unlawful or invalid shall be construed so as to effectuate the terms of such Article, Section or other portion to the fullest extent possible while remaining lawful and valid.

**Article XI
ERISA Compliance Provisions**

1.01 Summary Plan Description Provisions

(a) *General Information.* This document also serves as the summary plan description for the Plan. The following is additional information about the Plan.

| | |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Plan sponsor: | Forward Air Corporation EIN: 62-1120025 1915 Snapps Ferry Road, Bldg. N Greenville, TN 37745 Tel: (423) 636-7175 |
| Plan name: | Forward Air Corporation Executive Severance and Change in Control Plan |
| Plan number: | 507 |
| Type of plan: | Severance pay plan that is a "welfare benefit plan" under ERISA. |
| Funding: | Paid from the Company's general assets. |
| Plan year: | Calendar year |
| Plan Administrator: | Compensation Committee of the Board of Directors of Forward Air Corporation 1915 Snapps Ferry Road, Bldg. N Greenville, TN 37745 Tel: (423) 636-7175 |
| Agent for service of legal process: | If you have to bring legal action against the Plan for any reason, legal process can be served on the Plan Administrator at 1915 Snapps Ferry Road, Bldg. N, Greenville, TN 37745 |

(b) *Statement of ERISA Rights.* As a Participant in the Plan, you are entitled to certain rights and protections under the ERISA. ERISA provides that all Plan Participants shall be entitled to:

(i) *Receive Information About Your Plan and Benefits*

(1) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan, including a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

(2) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

(3) Receive a summary of the Plan's annual financial report, if applicable. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.

(ii) Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

(iii) Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator.

If you have a claim for benefits, which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

(iv) Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Adopted: December 10, 2012 and amended and restated May 24, 2018

Amended & Restated: October 25, 2021

Compensation Committee of the Board of Directors

Forward Air Corporation

**APPENDIX A
PARTICIPATION AND RESTRICTIVE COVENANTS AGREEMENT**

This PARTICIPATION AND RESTRICTIVE COVENANTS AGREEMENT (this "Agreement" or this "Restrictive Covenants Agreement") is entered into as of _____, 20____, between Forward Air Corporation (the "Company") and _____ (the "Executive") (jointly the "Parties") pursuant to which the Executive accepts participation in the Forward Air Corporation Executive Severance and Change in Control Plan (the "Severance Plan") subject to the terms and conditions thereof as amended from time to time. Capitalized terms not otherwise defined herein, shall have the meaning set forth in the Severance Plan.

REASONS FOR THIS AGREEMENT: During Executive's relationship with the Company, Executive has learned, will learn, or has or will have access to, important proprietary information related to the operations and business of Forward Air Corporation and its subsidiaries and affiliates (collectively, the "Company's Business"). Executive acknowledges that the proprietary customer, operations, financial, and business information that has been or will be learned or accessible has been and will be developed through the Company's expenditure of substantial effort, time and money; and together with relationships developed with customers and employees, could be used to compete unfairly with the Company. The Company's ability to sell its products and services on a competitive basis depends, in part, on its proprietary information and customer relationships, and the Company would not share this information, provide training or promote Executive's relationship with customers if the Company believed that it would be used in competition with the Company, which non-disclosure would cause Executive's performance and opportunities to suffer.

In consideration of employment or continued employment, participation in the Severance Plan and other valuable consideration, the receipt and sufficiency of which are acknowledged, the Company and Executive agree:

1. **DEFINITIONS:** For this Restricted Covenants Agreement, the following terms shall have the meaning specified below:

(a) **PERSON:** Any individual, corporation, limited liability company, partnership, joint venture, association, unincorporated organization or other entity.

(b) **TERMINATION DATE:** The date of Executive's termination of employment from the Company, whether such termination is voluntary or involuntary, or with or without cause.

(c) **CUSTOMERS:** All customers and actively sought prospective customers of the Company with whom Executive had business contact, about whom Executive received Confidential Information, or whose business resulted in a commission or other payment being made to Executive during the Executive's employment with the Company.

(d) **CONFIDENTIAL INFORMATION:** "Confidential Information" as defined herein shall exclude company trade secrets and is defined as such other information not rising to the level of a trade secret, relating to the Company's customers, operation, finances, and business that derives value, actual or potential, from not being generally known to other Persons, including, but not limited to, technical or non-technical data, formulas, patterns, compilations (including compilations of customer information), programs (including fulfillment and marketing programs), devices, methods (including fulfillment methods), techniques, processes, financial data (including sales forecasts), or lists of actual or potential customers or suppliers (including identifying information about those customers), whether or not reduced to writing. Confidential Information includes information disclosed to the Company by third parties that the Company is obligated to maintain as confidential. Confidential Information does not include information that: (i) was generally known to the relevant public at the time of disclosure; (ii) was lawfully received by Executive from a third party; (iii) was known to Executive prior to receipt from the Company; or (iv) was independently developed by Executive or independent third parties; in each of the foregoing circumstances, this exception applies only if such public knowledge or possession by an independent third party was without breach by Executive or any third party of any obligation of confidentiality or non-use, including but not limited to the obligations and restrictions set forth in this Agreement.

(e) **TERRITORY:** the term "Territory" as used in this Restrictive Covenants Agreement means the continental United States, Mexico and Canada, which is the territory in which the Company conducts the Company Business and the territory in which Executive provides services to the Company. Executive acknowledges and agrees that the direct and indirect scope of Executive's duties and responsibilities and the breadth of the geography impacted by the Confidential Information to which the Executive may be exposed during Executive's employment with the Company are throughout the Territory.

(f) **COMPETING BUSINESS:** any Person (other than the Company but including Executive) providing or offering less-than-truckload, truckload, intermodal, pool distribution, dedicated line haul, dedicated contract carriage, logistics or final mile delivery services, or any other goods or services identical to or reasonably substitutable for the goods and services offered by the Company.

2. **[TIMING OF SEVERANCE PAYMENTS:** Notwithstanding anything in the Severance Plan to the contrary, the Severance Payment in the event of an Involuntary Termination pursuant to Section 4.01 of the Severance Plan shall be paid in equal installments for a period of [twelve (12)/eighteen (18)/twenty-four (24)]¹ months following the Executive's Termination Date and such payments shall commence no more than sixty days after the Termination of Employment, provided the applicable revocation period required for the release under Section 9.01 of the Severance Plan has expired at that time; and subject to Section 10.11(c) and Section 10.11(e) of the Severance Plan. If the sixty (60)-day period following the Termination Date crosses calendar years, if necessary to comply with Code Section 409A payment shall not commence until the second calendar year (the commencement date,

¹ NTD: For the CEO 24 months; for the C-Suite level Participants 18 months and for all other Participants 12 months.

“Payment Commencement Date”). Any payment of a Severance Payment that is so delayed shall be paid on the Payment Commencement Date.]²[Intentionally omitted.]³

3. **TRADE SECRETS AND CONFIDENTIAL INFORMATION:** Executive shall not use or disclose the Company’s trade secrets during or after employment. Executive shall not use or disclose Confidential Information following the termination of employment for any reason, except in connection with his duties performed in accordance with his Employment Agreement or except with the prior written consent of the Chairman of the Board of the Company; provided, however, Executive may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, in which event Executive will promptly notify the Company of such order or subpoena to provide the Company an opportunity to protect its interests.

4. **RETURN OF PROPERTY AND MATERIALS:** On the Termination Date or for any reason or at any time at the Company's request, Executive will deliver promptly to the Company all of the Company’s property, including without limitation all materials, documents, plans, records, notes, or other papers and any copies, summaries or excerpts of any kind, and computerized or electronic media in any format whatsoever, and any Company access keys or key cards, identification or credit cards, computer or electronic hardware or software, in Executive's possession or control relating in any way to the Company's Business, which at all times shall be the property of the Company.

5. **NON-SOLICITATION OF EMPLOYEES:** During employment and for a period of [twelve (12)/eighteen (18)/twenty-four (24)]⁴ months following his Termination Date (the “Restricted Period”), Executive will not **either on his own behalf or on behalf of any third party, except on behalf of the Company, directly or indirectly**, solicit or induce or in any manner attempt to solicit or induce, any person employed by the Company to leave such employment, whether or not such employment is pursuant to a written contract with the Company or at will.

6. **NON-SOLICITATION OF CUSTOMERS:** During employment and the Restricted Period, Executive will not **either on his own behalf or on behalf of any other Person, except on behalf of the Company, directly or indirectly**, solicit Customers on behalf of a Competing Business or for the purpose of (i) providing or offering products or services identical to or reasonably substitutable for the products and services provided or offered by the Company, or (ii) lessening, in whole or in part, the Company’s business or relationship with its Customers.

7. **NON-COMPETITION:** During employment and the Restricted Period, Executive will not, within the Territory, engage in a Competing Business, provide services to a Competing Business similar to those that Executive provided to the Company, become an officer or director of a Competing Business, or otherwise directly or indirectly, own, manage, operate, join, control, finance or participate in the ownership, management, operation, control, or financing of a Competing Business.

8. **DISPARAGEMENT:** Executive shall not at any time make false, misleading or disparaging statements about the Company or any subsidiary of the Company, including its products, management, employees, and customers. “Disparaging” statements are those that impugn the character, honesty, integrity, morality, business acumen, or abilities of the individual or entity being disparaged.

9. **OWNERSHIP OF CONFIDENTIAL INFORMATION:** The Executive hereby agrees that any and all improvements, inventions, discoveries, formulas, processes, methods, know-how, confidential data, trade secrets and other proprietary information (collectively "Work Product") within the scope of any business of the Company or any affiliate which the Executive may conceive or make or has conceived or made during his employment with the Company shall be and are the sole and exclusive property of the Company, and that the Executive shall, wherever requested to do so by the Company, at its expense, execute and sign any and all applications, assignments or other instruments and do all other things which the Company may deem necessary or appropriate (i) in order to apply for, obtain, maintain, enforce or defend letters patent of the United States or any foreign country for any Work Product, or (ii) in order to assign, transfer, convey or otherwise make available to the Company the sole and exclusive right, title and interest in and to any Work Product.

10. **NO WAIVER:** The failure of the Company to insist upon the performance of any of the terms and conditions in this Agreement, or the failure to prosecute any breach of any of the terms and conditions of this Agreement, shall not be construed thereafter as a waiver of any such terms or conditions. This entire Agreement shall remain in full force and effect as if no such forbearance or failure of performance had occurred.

11. **DEFEND TRADE SECRETS ACT OF 2016.** Executive is also hereby notified, in accordance with the Defend Trade Secrets Act of 2016, that he will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of

² NTD: To be inserted for severance that is paid over time.

³ NTD: To be inserted for severance that is paid in a lump sum.

⁴ NTD: For the CEO 24 months; for the C-Suite level Participants 18 months and for all other Participants 12 months.

a trade secret that: (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Executive represents and warrants he has been notified by this Agreement that if he files a lawsuit for retaliation by the Company for reporting a suspected violation of law, he may disclose the Company's trade secrets to his attorney and use the trade secret information in the court proceeding if he: (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order.

12. **INJUNCTIVE RELIEF:** Executive understands that, in the event of a breach or threatened breach of this Agreement by Executive, the Company may suffer irreparable harm and will therefore be entitled to injunctive relief, without prior notice to Executive and without the posting of a bond or other guarantee, to enforce this Agreement. This provision is not a waiver of any other rights which the Company may have under this Agreement, including the right to recover attorneys' fees and costs to cover the expenses it incurs in seeking to enforce this agreement, as well as to any other remedies available to it, including money damages.

13. **CONSTRUCTION:** The Parties agree that the covenants set forth herein are reasonable with respect to their duration, geographical area and scope. If any provision of this Agreement is deemed or held to be illegal, invalid, or unenforceable under present or future laws effective during the Term hereof, this Agreement shall be considered divisible and inoperative as to such provision to the extent it is deemed to be illegal, invalid or unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable there shall be added hereto automatically a provision as similar as possible to such illegal, invalid or unenforceable provision as shall be legal, valid or enforceable; and provided further that if any provision of this Agreement is deemed or held to be illegal, invalid or unenforceable by any judicial body of competent jurisdiction, it shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any illegal, invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the illegal, invalid or unenforceable term or provision. Further, should any provision contained in this Agreement ever be reformed or rewritten by any judicial body of competent jurisdiction, such provision as so reformed or rewritten shall be binding upon the Executive and the Company.

(a) Executive agrees and acknowledges that the restrictions contained in this Agreement do not preclude Executive from earning a livelihood, nor do they unreasonably impose limitations on Executive's ability to earn a living. Executive agrees and acknowledges that the potential harm to the Company, and any of its subsidiaries and affiliates, of the non-enforcement of the provisions of this Agreement outweighs any potential harm to Executive of their enforcement by injunction or otherwise. Executive expressly acknowledges and agrees that each and every restraint imposed by the provisions of this Agreement is reasonable with respect to subject matter, activity restraints, time period and geographical area.

(b) In the event the parties litigate the enforceability of any of the provisions of this Agreement, the time period for the respective restrictive covenants shall be tolled until such litigation is resolved by final judgment, including any appeal.

(c) The language in all parts of this Agreement will be construed, in all cases, according to its fair meaning, and not for or against either Party hereto. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement.

(d) The captions of the Paragraphs of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Paragraph of this Agreement.

14. **FORUM SELECTION AND CHOICE OF LAW:** This Agreement shall be interpreted, construed and governed by and under the laws of the State of Georgia, not including the choice of law rules thereof. Each party irrevocably (i) consents to the exclusive jurisdiction and venue of the courts located in Fulton County, Georgia in any and all actions arising under or relating to this Agreement, and (ii) waives any jurisdictional defenses (including personal jurisdiction and venue) to any such action.

IN WITNESS WHEREOF, the Company and the Executive have executed this Restrictive Covenants Agreement as of the date first written above.
PARTICIPANT: FORWARD AIR CORPORATION:

(signature) By: _____
Its: _____

(print name)

**APPENDIX B
GENERAL RELEASE AND WAIVER**

1. I, _____, in consideration of and subject to the performance by Forward Air Corporation (together with its Affiliates, the "Company Parties"), of its obligations under the Forward Air Corporation Executive Severance and Change in Control Plan, as amended from time to time before the date hereof (the "Plan"), do hereby release and forever discharge as of the date hereof the Company Parties and their respective affiliates, subsidiaries and direct or indirect parent entities and all present, former and future shareholders, directors, officers, agents, representatives, employees, employee benefit plan fiduciaries, and successors and assigns, as well as all respective affiliates, subsidiaries and direct or indirect parent entities of any successor or assign of the Company (collectively, the "Released Parties") to the extent provided below (this "General Release"). The Released Parties are intended to be third-party beneficiaries of this General Release, and this General Release may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Terms used herein but not otherwise defined shall have the meanings given to them in the Plan.

2. I understand that any payments or benefits paid or granted to me under Section 4.01 or 5.02 of the Plan (other than the Accrued Obligations) represent, in part, consideration for signing this General Release and are not salary, wages or benefits to which I was already entitled. I understand and agree that I will not receive certain of the payments and benefits specified in the Plan unless I execute this General Release and do not revoke this General Release within the time period permitted hereafter. Such payments and benefits will not be considered compensation for purposes of any employee benefit plan, program, policy or arrangement maintained or hereafter established by the Company or its Affiliates.

3. Except as provided in paragraphs 4, 5, and 11 below and except for the provisions of the Plan which expressly survive the termination of my employment with the Company, I knowingly and voluntarily (for myself, my heirs, executors, administrators and assigns) release and forever discharge the Company and the other Released Parties from any and all claims, suits, controversies, actions, causes of action, cross-claims, counter-claims, demands, debts, compensatory damages, liquidated damages, punitive or exemplary damages, other damages, claims for costs and attorneys' fees, or liabilities of any nature whatsoever in law and in equity, both past and present (through the date that this General Release becomes effective and enforceable) and whether known or unknown, suspected, or claimed against the Company or any of the Released Parties which I, my spouse, or any of my heirs, executors, administrators or assigns, may have, which arise out of or are connected with my employment with, or my separation or termination from, the Company Parties, including, but not limited to (all of the following collectively referred to herein as the "Claims"):

(a) any and all claims that in any way result from, or relate to, Executive's hire, employment with or separation from employment with the Company Parties, whether pursuant to federal, state or local law, statute, regulation, ordinance, executive order or common law including, but not limited to, wrongful discharge of employment, constructive discharge from employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract, both express and implied, breach of a covenant of good faith and fair dealing, both express and implied; promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, and conversion, including costs and attorneys' fees;

(b) any and all claims for violation of any federal, state or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination in Employment Act of 1967, as amended (including the Older Workers Benefit Protection Act); the Equal Pay Act of 1963, as amended; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993; the Worker Adjustment Retraining and Notification Act; the Employee Retirement Income Security Act of 1974; any applicable Executive Order Programs; the Fair Labor Standards Act, and any other statute that pertains or relates to, or otherwise touches upon, the employment relationship between the Company Parties and Executive.

4. I agree that this General Release does not waive or release any rights or claims that I may have under the Age Discrimination in Employment Act of 1967 which arise after the date I execute this General Release and does not extend to any claims that, by statute, may not be waived. I acknowledge and agree that my separation from employment with the Company Parties in compliance with the terms of the Plan shall not serve as the basis for any claim or action (including, without limitation, any claim under the Age Discrimination in Employment Act of 1967).

5. I agree that I hereby waive all rights to sue or obtain equitable, remedial or punitive relief from any or all Released Parties of any kind whatsoever in respect of any Claim, including, without limitation, reinstatement, back pay, front pay, and any form of injunctive relief. Notwithstanding the above, I further acknowledge that I am not waiving and am not being required to waive any right that cannot be waived under law, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however, that I disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation or proceeding, not including a whistleblower bounty. Additionally, I am not waiving (i) any right to the Accrued Obligations or any severance benefits to which I am entitled under the Plan, (ii) any claim relating to directors' and officers' liability insurance coverage or any right of indemnification under the Company's organizational documents or otherwise, (iii) my rights as an equity or security holder in the Company or its Affiliates, (iv) my rights under any equity awards that survive termination of employment; or (v) my rights to accrued benefits only under any retirement plan that is "qualified" under Section 401(a) of the Internal Revenue Code of 1986.

6. In signing this General Release, I acknowledge and intend that it shall be effective as a bar to each and every one of the Claims hereinabove mentioned or implied. I expressly consent that this General Release shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected Claims (notwithstanding any state or local statute that expressly limits the effectiveness of a general release of unknown, unsuspected and unanticipated Claims), if any, as well as those relating to any other Claims hereinabove mentioned or implied. I acknowledge and agree that this waiver is an essential and material term of this General Release and that without such waiver I would not have become a Participant in the Plan. I further agree that in the event I should bring a Claim seeking damages against the Company, or in the event I should seek to recover against the Company in any Claim brought by a governmental agency on my behalf, this General Release shall serve as a complete defense to such Claims to the maximum extent permitted by law.

7. I agree that neither this General Release, nor the furnishing of the consideration for this General Release, shall be deemed or construed at any time to be an admission by the Company, any Released Party or myself of any improper or unlawful conduct.

8. I agree that this General Release and the Plan are confidential and agree not to disclose any information regarding the terms of this General Release or the Plan, except to my immediate family and any tax, legal or other counsel that I have consulted regarding the meaning or effect hereof or to a successor employer respecting the terms of any restrictive covenants to which I may be subject, or as required by law, and I will instruct each of the foregoing not to further disclose the same to anyone.

9. Any non-disclosure provision in this General Release does not prohibit or restrict me (or my attorney) from responding to any inquiry about this General Release or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other securities regulatory organization or any governmental entity.

10. I represent that I am not aware of any claim by me other than the claims that are released by this General Release. I acknowledge that I may hereafter discover claims or facts in addition to or different than those which I now know or believe to exist with respect to the subject matter of the release set forth in paragraph 3 above and which, if known or suspected at the time of entering into this General Release, may have materially affected this General Release and my decision to enter into it. I represent and warrant that I have never suffered an on the job or occupational injury or incurred any leave, wage or overtime claims, whether pursuant to the Fair Labor Standards Act, Family Medical Leave Act, or otherwise, during my employment, or in the alternative that any such claims have been resolved to my complete satisfaction, and as such, no such claims by me or on my behalf exist as of the date of this Agreement.

11. Notwithstanding anything in this General Release to the contrary, this General Release shall not relinquish, diminish, or in any way affect any rights or claims arising out of any breach by the Company or by any Released Party of the Plan after the date hereof.

12. The Parties understand and acknowledge that this General Release constitutes a compromise and settlement of actual or potential disputed claims. No action taken by the Parties hereto, or either of them, either previously or in connection with this General Release shall be deemed or construed to be:

- (a) an admission of the truth or falsity of any claims made or any potential claims; or
- (b) an acknowledgment or admission by either Party of any fault or liability whatsoever to the other Party or to any third party.

13. I waive any claim to reinstatement or re-employment with the Released Parties and agree not to bring any claim based upon the failure or refusal of the Released Parties to employ me hereafter. If I seek employment or become employed with the Released Parties (knowingly or unknowingly), this General Release shall conclusively be deemed the sole and exclusive reason for denying such application for employment with the Released Parties and/or the basis for my discharge if hired.

14. In entering into this General Release, neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this General Release.

15. The language in all parts of this Agreement will be construed, in all cases, according to its fair meaning, and not for or against either Party hereto. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement. The captions of the Paragraphs of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Paragraph of this Agreement.

16. Whenever possible, each provision of this General Release shall be interpreted in, such manner as to be effective and valid under applicable law, but if any provision of this General Release is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this General Release shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

17. BY SIGNING THIS GENERAL RELEASE, I REPRESENT AND AGREE THAT:

(a) I HAVE READ IT CAREFULLY; AND I UNDERSTAND ALL OF ITS TERMS AND KNOW THAT I AM GIVING UP IMPORTANT RIGHTS, INCLUDING BUT NOT LIMITED TO, RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, AS AMENDED, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, AS AMENDED; THE EQUAL PAY ACT OF 1963, THE AMERICANS WITH DISABILITIES ACT OF 1990; AND THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED;

(b) I VOLUNTARILY CONSENT TO EVERYTHING IN IT;

(c) I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING IT AND I HAVE DONE SO OR, AFTER CAREFUL READING AND CONSIDERATION, I HAVE CHOSEN NOT TO DO SO OF MY OWN VOLITION;

(d) I HAVE HAD AT LEAST 45 DAYS FROM THE DATE OF MY RECEIPT OF THIS RELEASE TO CONSIDER IT, AND THE CHANGES MADE SINCE MY RECEIPT OF THIS RELEASE ARE NOT MATERIAL OR WERE MADE AT MY REQUEST AND WILL NOT RESTART THE REQUIRED 21|45-DAY PERIOD;

(e) I UNDERSTAND THAT I HAVE SEVEN (7) DAYS AFTER THE EXECUTION OF THIS RELEASE TO REVOKE IT AND THAT THIS RELEASE SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED;

(f) I HAVE SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY AND WITH THE ADVICE OF ANY COUNSEL RETAINED TO ADVISE ME WITH RESPECT TO IT; AND

(g) I AGREE THAT THE PROVISIONS OF THIS GENERAL RELEASE MAY NOT BE AMENDED, WAIVED, CHANGED OR MODIFIED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE COMPANY AND BY ME.

SIGNED:

Participant

DATED: _____

FORWARD AIR CORPORATION
SUBSIDIARIES

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

FORWARD AIR, INC.
SUBSIDIARIES

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

TQI HOLDINGS, INC.
SUBSIDIARIES

| | State of Incorporation |
|--------------------------------------|------------------------|
| Forward Air Logistics Services, Inc. | Michigan |
| TQI, Inc. | Michigan |

FAF, INC.
SUBSIDIARIES

| | State of Incorporation |
|----------|------------------------|
| FFM, LLC | Tennessee |

Consent of Independent Registered Public Accounting Firm

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

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

of our reports dated March 1, 2022, with respect to the consolidated financial statements and schedule of Forward Air Corporation and the effectiveness of internal control over financial reporting of Forward Air Corporation included in this Annual Report (Form 10-K) of Forward Air Corporation for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Atlanta, GA
March 1, 2022

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

I, Thomas Schmitt, President, Chief Executive Officer and Director of Forward Air Corporation, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2021 of Forward Air Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

/s/ Thomas Schmitt

Thomas Schmitt
President and Chief Executive Officer

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

I, Rebecca J. Garbrick, Chief Financial Officer and Treasurer of Forward Air Corporation, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2021 of Forward Air Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2022

/s/ Rebecca J. Garbrick

Rebecca J. Garbrick
Chief Financial Officer and Treasurer

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

In connection with the Annual Report on Form 10-K of Forward Air Corporation (the "Company") for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Thomas Schmitt, President and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

/s/ Thomas Schmitt

Thomas Schmitt
President and Chief Executive Officer

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

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

In connection with the Annual Report on Form 10-K of Forward Air Corporation (the "Company") for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rebecca J. Garbrick, Chief Financial Officer and Treasurer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2022

/s/ Rebecca J. Garbrick

Rebecca J. Garbrick
Chief Financial Officer and Treasurer

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