



**Notice of 2020 Annual Meeting
of Shareholders,
Proxy Statement and
2019 Annual Report**



LTL FINAL MILE INTERMODAL POOL TRUCKLOAD

April 2, 2020

Dear Fellow Owners,

I am writing to you about our record performance in 2019, which is exactly what you will see in this Annual Report. I will discuss that in a moment.

Before I do, I want to acknowledge that as I am writing this letter in late March 2020, we are in the midst of a global humanitarian crisis triggered by COVID-19. All hands at your Forward Air team are on deck and focused on two priorities that I refer to as “Double Health.” First and foremost, we are pouring energy and resources into securing the health of our people and those around us. Secondly, we are pouring energy and resources into securing the health of our business – maximizing revenue opportunities, controlling costs and building liquidity. I will get into a few specifics at the end of this letter, but want to assure you now that I could not be more proud of how our team is stepping up in these exceptional times.

Now to last year, 2019.

Forward Air delivered record financial performance in 2019. Our team grew the enterprise in 2019, increasing consolidated operating revenue by \$90 million, or 6.8%, to a record \$1.4 billion. On this record revenue, we achieved an 8.4% consolidated operating margin. At our Investor Day event in New York in June 2019, we outlined our medium-term goals including double-double - double-digit revenue growth and double-digit margins. While we are not there yet, we believe the strategic steps we took in 2019 and continue to take now have placed us on the path to achieve these objectives.

Those key steps included unveiling and implementing a refreshed and focused enterprise strategy that leverages our precision-execution DNA. Internally, this meant significant reorganization. We consolidated our commercial efforts and activities into one directed organization under the leadership of a newly appointed Chief Commercial Officer, and we created a new Expedited Freight segment reflective of the fact that our Truckload and LTL teams have integrated and are collaborating much more effectively, both commercially and operationally.

With a refocused commercial and operations lineup in place, our team took necessary steps to advance our strategy in 2019. Here are some of the other financial and operational highlights that our efforts yielded in 2019:

- We completed key acquisitions in our growth businesses. In Intermodal, we expanded our footprint by acquiring certain assets of Baltimore-based O.S.T. Logistics, Inc. and O.S.T. Trucking Co., Inc. (together referred to as “OST”). In the Final Mile space, we acquired substantially all of the assets of FSA Logistix (“FSA”), and in January 2020, we acquired substantially all the assets of Linn Star Holdings (“Linn Star”). With the completion of these two acquisitions, we went from eight Final Mile markets to over 80 markets.
- We drove organic growth in our Pool segment, onboarding new business in the fourth quarter of 2019, opening up four new locations and growing revenue and operating income for the year ended December 31, 2019, 6.9% and 23.7%, respectively, as compared to the same period in 2018.





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- We generated total shareholder return of 29.0% from December 31, 2018 to December 31, 2019.
- We generated record cash flows. The Company's consolidated operating activities generated \$159.0 million of cash flow from operations for the twelve months ended December 31, 2019, compared to \$152.6 million for the same period in 2018. After utilizing \$63.9 million in cash in investing activities in 2019, the Company returned \$76.7 million to shareholders through dividends and our stock repurchase program.
- We increased free cash flow to a record \$134.1 million in the year ended December 31, 2019, compared to \$117.3 million in the same period of 2018.
- We also took steps in 2019 aimed at integrating social responsibility and environmental sustainability into our strategy. To that end, we launched Operation: Forward Freedom, our Company program designed to provide support to our Veterans and we joined Women in Trucking, a nonprofit organization supporting and celebrating women in the trucking industry. Our intent is to develop a more robust ESG strategy, institutionalize processes and provide more public disclosure around activities and performance going forward.

Altogether, 2019 was a good year, and while we're making good progress, we still have work to do to deliver sustained, strong results—balanced top- and bottom-line growth and value creation.

Now, back to the “here and now.” As we entered 2020, signs were suggesting that we were likely facing a slowing economy. However, the ongoing and fast-changing COVID-19 pandemic has taken those conditions to an altogether different level. Our Forward Air team is going above and beyond focusing on what I termed “Double Health” above.

First, we are focusing on the health of our people. We are in a people and service business and put the health and safety of our people first. Work from home practices, adjusted schedules and quarantine-time compensation are only three of the steps we put in place to make the challenges for our teammates a bit “lighter.” Moreover, we are managing “counter cyclically” including providing our employees more support when things are especially tough.

Secondly, we are focusing on the health of our business. We have an asset light model and are flexing our operations down to adjust to temporarily suppressed volumes in air freight, ocean freight and retail-driven freight. At the same time, we are working closely with our customers to find creative ways to keep their supply chains and commerce moving.

Underlying all aspects of our Double Health approach is our continued focus on maximizing liquidity and preserving cash. In addition to working with our financial partners to provide liquidity, internally, we are deeply focused on cost and cash containment - pulling every lever from hiring freezes to postponing trailer purchases.

Forward Air is a fundamentally healthy business. Strong teams emerge out of crises stronger.





LTL FINAL MILE INTERMODAL POOL TRUCKLOAD

We are such a team.

Thank you for investing in our company, and for sharing my confidence in our team.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Tom Schmitt".

Tom Schmitt
Chairman, President and Chief Executive Officer





April 2, 2020

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of Forward Air Corporation, you are cordially invited to attend the 2020 Annual Meeting of Shareholders on Tuesday, May 12, 2020, beginning at 8:00 a.m., EDT in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337.

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

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

Sincerely yours,

Thomas Schmitt
Chairman, President and CEO

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

NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 12, 2020

To the Shareholders of Forward Air Corporation:

The 2020 Annual Meeting of Shareholders of Forward Air Corporation (the “Company”) will be held on Tuesday, May 12, 2020, beginning at 8:00 a.m., EDT, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337.*

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

The purposes of this meeting are:

1. To re-elect ten members of the Board of Directors with terms expiring at the 2021 Annual Meeting of Shareholders, or until their respective successors are elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the 2020 fiscal year;
3. To approve, on a non-binding, advisory basis, the compensation of the named executive officers (the “say on pay vote”); and
4. To transact such other business as may properly come before the Annual Meeting and at any adjournment or postponement thereof.

We mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2019 on or about April 2, 2020.

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

We will make available a list of shareholders of record as of March 11, 2020, the record date for the Annual Meeting, for inspection by shareholders during normal business hours from April 1, 2020 until May 12, 2020 at the Company’s principal place of business, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745. The list also will be available to shareholders at the meeting.

Only holders of the Company’s common stock, par value \$0.01 per share, of record at the close of business on March 11, 2020 are entitled to notice of and to vote at the Annual Meeting. Shareholders are cordially invited to attend the meeting in person. **Our Board of Directors recommends a vote FOR each of the director nominees in proposal 1, and FOR proposals 2 and 3.**

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

By Order of the Board of Directors,



Michael L. Hance
Chief Legal Officer and Secretary

Greeneville, Tennessee
April 2, 2020

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2020 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2020.

The Company's Proxy Statement for the 2020 Annual Meeting of Shareholders and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 are available at www.proxyvote.com.

* We currently intend to hold the 2020 Annual Meeting of Shareholders in person. However, we are actively monitoring the coronavirus, or COVID-19, and are sensitive to the public health and travel concerns that our shareholders may have, as well as protocols that federal, state, and local governments may impose. If it is not possible or advisable to hold the 2020 Annual Meeting of Shareholders in person, we will announce alternative arrangements for the meeting as promptly as practicable, which may include switching to a virtual meeting format, or changing the time, date or location of the 2020 Annual Meeting of Shareholders. Any such change will be announced via press release and the filing of additional proxy materials with the Securities and Exchange Commission.

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

**PROXY STATEMENT
FOR
2020 ANNUAL MEETING OF SHAREHOLDERS**

This Proxy Statement is furnished to the shareholders of Forward Air Corporation (the “Company”) in connection with the solicitation of proxies by the Board of Directors of the Company (the “Board”) for use at the 2020 Annual Meeting of Shareholders (the “Annual Meeting”) to be held on Tuesday, May 12, 2020, beginning at 8:00 a.m., EDT, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337, and any adjournment or postponement thereof, for the purposes set forth in the foregoing Notice of 2020 Annual Meeting of Shareholders.

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

Shareholders are entitled to one vote for each share of common stock held of record at the close of business on March 11, 2020 (the “Record Date”). There were 28,056,094 shares of our common stock, par value \$0.01 per share (“common stock”), issued and outstanding on the Record Date. The presence, in person or by proxy, of a majority of shares of common stock will, therefore, constitute a quorum at the Annual Meeting.

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

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

The ratification of Ernst & Young LLP as the independent registered public accounting firm of the Company for the 2020 fiscal year, the say on pay vote and any other matter that properly comes before the Annual Meeting will be approved by a majority of the votes cast. A properly executed proxy marked “**Abstain**” with respect to such proposals will not be voted on such proposals, although it will be counted in determining whether there is a quorum. Therefore, as long as a quorum is present, abstaining from proposals 2 and 3 or any other proposal that properly comes before the Annual Meeting will have no effect on whether such proposals are approved.

Brokers who hold shares for the accounts of their clients who do not receive voting instructions may not vote for matters that are not considered “routine.” The matters contained in this Proxy Statement that are not considered routine are the election of the Board and the say on pay vote. Shares held by your broker will not be voted on these matters absent

specific instruction from you, which means your shares may go unvoted and not affect the outcome if you do not specify a vote. Proxies that are returned to us where brokers have received instructions to vote on one or more proposal(s) but have not received instructions to vote on other proposal(s) are referred to as “broker non-votes” with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum but will have no effect on whether such proposals are approved.

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

PROPOSAL 1 – ELECTION OF DIRECTORS

Our Amended and Restated Bylaws (“Bylaws”) permit the Board to fix the size of the Board. At the date of this Proxy Statement, our Board is comprised of ten directors, nine of whom are non-employee directors. There are ten nominees for election at the Annual Meeting, each to hold office until the 2021 Annual Meeting of Shareholders or until a successor has been duly elected and qualified. Each nominee has consented to serve if elected.

Recommendation of the Board

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

Shareholder Vote Requirement

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

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

Director Nominees

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

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

RONALD W. ALLEN

Director since 2014
and from 2011 to 2013
Age 78

Mr. Allen retired as the Chairman of the Board, President and Chief Executive Officer of Delta Air Lines, Inc. (“Delta”) in July 1997. From July 1997 through July 2005, Mr. Allen was a consultant to and Advisory Director of Delta. He served as Chairman of the Board, President and Chief Executive Officer of Aaron’s, Inc. (“Aaron’s”), a leading lease-to-own company for furniture, appliances and electronics, from November 2012 until April 2014, continuing in the role of Chief Executive Officer until his retirement in August 2014. Previously, he served as President and Chief Executive Officer of Aaron’s from February 2012 until November 2012. Mr. Allen has been a Director of The Coca-Cola Company since 1991 and currently serves on its finance committee and as Chairman of its audit committee, but will be retiring in April 2020. In addition, he has been a Director of Aircastle Limited since 2006 and currently serves on its audit and

nominating and governance committees. He previously served as a Director of Interstate Hotels & Resorts, Inc. from 2006 to 2010 and Guided Therapeutics Inc. from 2008 to 2014.

Qualifications. The Board believes Mr. Allen brings a significant depth of senior leadership and governance experience to the Board. The Board believes that Mr. Allen utilizes that experience in his service as Chairman of the Corporate Governance and Nominating Committee.

ANA B. AMICARELLA

Director since 2017

Age 54

Ms. Amicarella is the Chief Executive Officer of EthosEnergy, an independent service provider of rotating equipment services and solutions to the global power, oil and gas and industrial markets. Prior to joining EthosEnergy in December 2019, Ms. Amicarella served as Managing Director for the Latin America business of Aggreko PLC, a rental business of mobile power plants and temperature control solutions, after serving as Vice President of various business units from 2011 to April 2019. Previously, she was general manager of GE Oil & Gas Services for North America. Ms. Amicarella began her career as a field engineer with GE in 1988, and during her tenure, she served in various professional capacities within the areas of services, sales, strategy and P&L leadership. Ms. Amicarella was elected to the board of Warrior Met Coal, Inc. in August 2018 and serves as a member of its audit, nominating and governance, and environmental health and safety committees. Ms. Amicarella received a B.S. in electrical engineering from The Ohio State University and an MBA from Oakland University. She competed in the 1984 Olympics in synchronized swimming for Venezuela and was an All-American while at The Ohio State University.

Qualifications. The Board believes that Ms. Amicarella's extensive business, prior management experience and diversity, including her Hispanic background brings sound guidance to our Board. The Board believes that Ms. Amicarella utilizes that experience in her service as a member of both the Audit Committee and the Corporate Governance and Nominating Committee.

VALERIE A. BONEBRAKE

Director since 2018

Age 68

Ms. Bonebrake retired as a Senior Vice President of Tompkins International in March 2018 and has more than 25 years of industry experience in logistics services. In her role at Tompkins, she consulted with an array of companies and industries in North America and across the globe. Prior to joining Tompkins in 2009, she was the Executive Vice President and a cofounder of the YRC Worldwide subsidiary, Meridian IQ (now Noatum Logistics), a global third party logistics company. Ms. Bonebrake spent 19 years at Ryder System, Inc. in various leadership roles of increasing responsibility in the company's supply chain solutions segment. She also has been recognized by Ingram Magazine as one of the Top Ten Female Executives in Kansas, and was a 2010 recipient of Supply & Demand Chain Executive's Pros to Know award. She holds a M.S. in International Logistics from the Georgia Institute of Technology.

Qualifications. The Board believes that Ms. Bonebrake contributes strategic insight to our Board based on her extensive experience in the transportation industry. The Board believes that Ms. Bonebrake utilizes that experience in her service as a member of the Audit Committee.

C. ROBERT CAMPBELL

Director since 2005

Age 75

Mr. Campbell served as the Company's Lead Independent Director from May 2014 to May 2019. He served as Executive Vice President and Chief Financial Officer of MasTec, Inc., a leading communications and energy infrastructure service provider in North America, from October 2004 until December 2013. Mr. Campbell has over 25 years of senior financial management experience. From January 2002 to October 2004, Mr. Campbell was Executive Vice President and Chief Financial Officer for TIMCO Aviation Services, Inc. Mr. Campbell was the President and Chief

Executive Officer of BAX Global, Inc. from April 1998 to June 2000. He served as Executive Vice President-Finance and Chief Financial Officer for Advantica Restaurant Group, Inc. from March 1995 to March 1998. Also, Mr. Campbell worked for Ryder System, Inc., for over 20 years including serving for 10 years as Executive Vice President and Chief Financial Officer for its Vehicle Leasing and Services Division. Mr. Campbell is a Certified Public Accountant (Inactive). Mr. Campbell was a Director of Pernix Group, Inc. from January 2014 until June 2018. In addition, Mr. Campbell has been a Director of MasTec, Inc. since September 2016.

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

R. CRAIG CARLOCK

Director since 2015

Age 53

Mr. Carlock has served as the Company's Lead Independent Director since May 2019. He has served as the Chief Executive Officer and a director of Omega Sports, Inc since April 2017. Prior to Omega Sports, Inc., he served as the President and Chief Executive Officer of The Fresh Market from January 2009 to January 2015 and as a member of its board of directors from June 2012 to January 2015. He began his career with The Fresh Market in 1999 and served in various capacities culminating with the position of President and Chief Executive Officer. During his time with The Fresh Market, Mr. Carlock served as its Executive Vice President and Chief Operating Officer as well as its Senior Vice President—Store Operations, Vice President—Merchandising and Marketing, and Director of Merchandising & Marketing Strategy. Prior to joining The Fresh Market, Mr. Carlock was Financial Manager, Fabric Care Category, at Procter & Gamble Company.

Qualifications. The Board believes that Mr. Carlock's leadership experience is invaluable to management and the Board in, among other things, the areas of strategy, development and corporate governance. The Board believes that Mr. Carlock utilizes that experience in his service as a member of the Audit Committee and Chairman of the Compensation Committee.

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

Director since 2004

Age 74

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

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

G. MICHAEL LYNCH

Director since 2005

Age 76

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

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

THOMAS SCHMITT

Director since 2018

Age 55

Mr. Schmitt has served as President, Chief Executive Officer and director since September 2018 and was elected Chairman of the Board in May 2019. Prior to joining Forward Air, he served as Management Board Member and Chief Commercial Officer for DB Schenker, a Global Logistics Company from June 2015 to July 2018. From January 2013 to April 2015, Mr. Schmitt was President, Chief Executive Officer and Director of Aqua Terra, a Canadian provider of natural spring water. From 2010 to 2012, he served as President, Chief Executive Officer and Director of Purolator, a Canadian parcel and freight transportation company. Prior to joining Purolator, Mr. Schmitt spent 12 years at FedEx in Memphis, Tennessee where he served as Chief Executive Officer of FedEx Supply Chain and Senior Vice President of FedEx Solutions. Prior to his time with FedEx, Mr. Schmitt held senior roles at McKinsey & Company. He has been a Non-Executive Director of the Ferguson Plc board since February 2019. Mr. Schmitt also served on the board of directors of Dicom Transportation Group from January 2014 to June 2018, Zooplus AG, from June 2013 to May 2016, and Univar, Inc., from August 2008 to May 2013. Mr. Schmitt holds an MBA from the Harvard Business School and received his BA in European Business Administration from Middlesex University.

Qualifications. Mr. Schmitt's extensive experience in senior leadership positions at large national and global logistics companies as well as his position as the Company's Chief Executive Officer provide the Board with significant insight into the Company's strategy and operations.

LAURIE A. TUCKER

Director since 2019

Age 63

Ms. Tucker has served as the Founder and Chief Strategy Officer of Calade Partners LLC, a marketing consultancy firm, since January 2014. She previously served as the Senior Vice President, Corporate Marketing of FedEx Services, Inc., a subsidiary of FedEx Corporation, from 2000 until she retired in December 2013. She was employed by FedEx in various capacities of increasing experience and responsibilities since 1978. Ms. Tucker has served as a director of publicly traded companies, such as, Alliance Data Systems, since May 2015 and Iron Mountain Incorporated from May 2007 to May 2014. Ms. Tucker holds a B.B.A. in Accountancy and an M.B.A. in Finance from the University of Memphis.

Qualifications. Ms. Tucker’s 35 years of experience at FedEx provides the Board with valuable insight with respect to corporate marketing strategies and large-scale operations. The Board believes that her experience overseeing finance, pricing, technology and customer technology will benefit the Audit Committee.

W. GILBERT WEST

Director since 2018

Age 59

Mr. West has served as Senior Executive Vice President and Chief Operating Officer of Delta Air Lines (“Delta”) since February 2016 and previously served in various leadership positions since he began his career with Delta in March 2008. He previously served as President and CEO of Laidlaw Transit Services from 2006 to 2007. He also has been a member of the Brevard College Board of Trustees in North Carolina since October 2017. He served from 2014 to 2016 on the Board of Directors for the American Cancer Society and from 2008 until 2014, he was member of its Executive Leadership Council. He has served on the Board of Directors for Wheels Up Partners LLC since January 2020.

Qualifications. Mr. West has significant operational experience including leading the operations of very large and diverse transportation and manufacturing companies which is invaluable to the Board as it assists in developing the Company’s strategic goals, oversees senior management and evaluates Company performance. The Board believes that Mr. West utilizes that experience in his service as a member of the Compensation Committee and the Corporate Governance and Nominating Committee.

CORPORATE GOVERNANCE

Independent Directors

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

The independent directors are Ronald W. Allen, Ana B. Amicarella, Valerie A. Bonebrake, C. Robert Campbell, R. Craig Carlock, C. John Langley, Jr., G. Michael Lynch, Laurie A. Tucker and W. Gilbert West.

Corporate Governance Guidelines

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

- Chairman and Lead Independent Director;
- Independence of the Board;
- New directors, Board membership criteria and role of the Board;
- Committees of the Board and related matters;
- Director orientation and continuing education;
- Independent director stock ownership guidelines;
- Self-evaluation by the Board;
- Director change in status and resignation policy in uncontested elections;
- Leadership development and succession planning; and
- Shareholder communications with the Board.

The Company's Corporate Governance Guidelines are available through the Governance link on the Company's Investors website, which can be accessed at www.forwardaircorp.com.

Independent Director Meetings

Pursuant to the Company's Corporate Governance Guidelines, the Company's independent directors meet in executive session without management on a regularly scheduled basis, but not less frequently than quarterly. The Lead

Independent Director presides at such executive sessions or, in his or her absence, an independent director designated by such Lead Independent Director.

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

Director Nominating Process

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

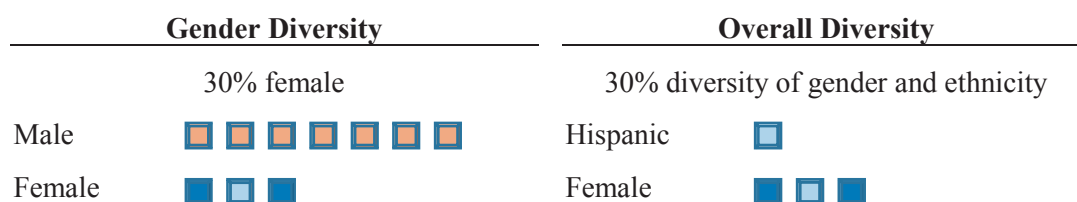
All recommendations should include the written consent of the nominee to be nominated for election to the Board. To be considered, the Company must receive recommendations at least 90 calendar days but not more than 120 calendar days prior to the one-year anniversary of the prior year’s Annual Meeting of Shareholders and include all required information to be considered. In the case of the 2021 Annual Meeting of Shareholders, this deadline is between January 13, 2021 and February 12, 2021. All recommendations will be brought to the attention of the Corporate Governance and Nominating Committee.

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

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

The Corporate Governance and Nominating Committee will consider all appropriate candidates proposed by management, directors and shareholders. Information regarding potential candidates shall be presented to the Corporate Governance and Nominating Committee, and it shall evaluate the candidates based on the needs of the Board at that time and the candidates’ knowledge, experience, skills, expertise and diversity, as set forth in the Company’s Corporate Governance Guidelines. In particular, the Board and the Corporate Governance and Nominating Committee believe that the Board should be comprised of a well-balanced group of individuals. The Board believes that having diversity of knowledge, experience, skills and expertise among its members enhances the Board’s ability to make fully informed, comprehensive decisions.

The Corporate Governance and Nominating Committee also believes that diversity of race, ethnicity and gender are important factors in evaluating candidates for nominees. Accordingly, the Board is committed to including diverse individuals, including women and people of color in each candidate pool from which non-management director nominees are selected. To that end, since July 2017, the Board has added Ana B. Amicarella, who identifies as Hispanic, Valerie A. Bonebrake (January 2018) and Laurie A. Tucker (October 2019) to its Board.



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

Annual Performance Evaluations

The Company's Corporate Governance Guidelines provide that the Board shall conduct an annual evaluation to determine, among other matters, whether the Board and the committees are functioning effectively. The Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are also required to each conduct an annual self-evaluation. The Corporate Governance and Nominating Committee is responsible for overseeing this self-evaluation process. The Board also conducts Board evaluations. In 2019, the Board conducted its self-evaluation and a Lead Independent Director evaluation.

Code of Business Conduct and Ethics

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

Board Attendance

The Company's Corporate Governance Guidelines provide that all directors are expected to regularly attend meetings of the Board and committees on which they serve and are also expected to attend the Annual Meeting of Shareholders. During 2019, the Board held five meetings. All of the incumbent directors who were on the Board during 2019 attended at least 75% of the aggregate number of meetings of the Board and meetings of committees of the Board on which he or she served during 2019. All of the Board members at the time of the 2019 Annual Meeting of Shareholders attended the 2019 Annual Meeting of Shareholders.

Board Committees

The Board currently has four standing committees: an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and an Executive Committee.

The charters of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, are available through the governance link on the Company's Investors website, which can be accessed at www.forwardaircorp.com. With the exception of the Executive Committee, each committee has authority to engage legal counsel or other experts or consultants as it deems appropriate to carry out its responsibilities. Additional information

regarding the functions of the Board's committees, the number of meetings held by each committee during 2019 and their present membership is set forth below.

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

Name	Audit	Compensation	Corporate Governance and Nominating	Executive
Thomas Schmitt, Chair				X
R. Craig Carlock, Lead Director		Chair		X
Ana B. Amicarella	X*		X	
Ronald W. Allen			Chair	X
Valerie A. Bonebrake.....	X			
C. Robert Campbell		X		
C. John Langley, Jr.		X		
G. Michael Lynch	Chair*			
Laurie A. Tucker.....	X			
W. Gilbert West		X	X	
Number of Meetings in 2019	4	6	5	0

*Audit Committee Financial Expert

Audit Committee. The Audit Committee oversees the Company's financial reporting process on behalf of the Board. The Audit Committee is responsible for the appointment, compensation and oversight of the Company's independent registered public accounting firm. As part of this responsibility, the Audit Committee considers the impact of changing its current firm, is involved in selecting the lead partner, and considers the fee arrangement and scope of the audit. The Audit Committee also reviews the financial statements and the independent registered public accounting firm's report, considers comments made by such firm with respect to the Company's internal control structure, and reviews the internal audit process and internal accounting procedures and financial controls with the Company's financial and accounting staff. The Audit Committee may meet in executive session, without management present, on any matter it deems appropriate. In addition, the Audit Committee assists the Board in its oversight of the Company's legal compliance, ethics and information system controls and security programs. A more detailed description of the Audit Committee's duties and responsibilities can be found in the Audit Committee Report on pages 47-48 of this Proxy Statement and in the Audit Committee Charter.

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

Compensation Committee. The Compensation Committee is responsible for determining the overall compensation levels of the Company's executive officers reviewing, approving and administering the Company's employee incentive plans and other employee benefit plans. The Committee is also responsible for recommending the compensation for non-employee directors. It also reviews, approves and make recommendations, as necessary, to the Board with respect to the Company's policies and procedures relating to executive officer or director compensation, such as, any clawback policy, stock ownership guidelines, or pledging or hedging policy.

Additionally, it reviews and approves the Compensation Discussion and Analysis for inclusion in the proxy statement (see pages 20-36 of this Proxy Statement). Furthermore, the Compensation Committee oversees management succession planning along with the Corporate Governance and Nominating Committee.

In fulfilling its responsibilities, the Compensation Committee may delegate its responsibilities to a subcommittee consisting of members of the Compensation Committee and, to the extent not expressly reserved to the Compensation Committee by the Board or by applicable law, rule or regulation, to any other committee consisting entirely of independent directors. The Company's Chief Executive Officer may not be present during deliberations or voting regarding his or her compensation. To the extent helpful to the work of the Compensation Committee, however, the Company's Chief Executive Officer may be invited by the Compensation Committee to participate in discussion relating to his or her compensation that may precede further deliberation or voting.

The Compensation Committee engaged Meridian Compensation Partners, LLC ("Meridian"), an independent consultant, to assist it during 2019. During the year, the consultant reviewed materials prepared by management and provided the Compensation Committee with information on compensation trends, best practices and changes in the regulatory environment, in addition to providing executive compensation benchmarking information. Meridian provided no services other than those related to executive and director pay and related governance.

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

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become Board members and recommending them to the Board for consideration. This responsibility includes all potential candidates, whether initially recommended by management, other Board members or shareholders. In addition, the Corporate Governance and Nominating Committee makes recommendations to the Board for Board committee assignments, develops and annually reviews the Company's Corporate Governance Guidelines, and otherwise oversees corporate governance matters. The Corporate Governance and Nominating Committee is also responsible for overseeing the annual evaluation of the Board and for periodically reviewing and making recommendations to the Board regarding director compensation for the Board's approval. The Corporate Governance and Nominating Committee also reviews the Company's environmental, social and governmental policies, as well as manages sustainability-related risks and makes recommendations that it deems appropriate. Furthermore, the Corporate Governance and Nominating Committee oversees management succession planning along with the Compensation Committee. The Corporate Governance and Nominating Committee may meet in executive session, without management present, on any matter it deems appropriate.

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

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

Compensation Committee Interlocks and Insider Participations

During the fiscal year ended December 31, 2019, Ronald W. Allen, R. Craig Carlock, C. John Langley Jr., W. Gilbert West and C. Robert Campbell served as members of the Compensation Committee. None of these directors was, during 2019, an officer or employee of our Company, or was formerly an officer of our Company. There were no

transactions in 2019 between us and any directors who served as Compensation Committee members for any part of 2019 that would require disclosure by us under SEC rules requiring disclosure of certain relationships and related party transactions. During 2019, none of our executive officers served as a director of another entity, one of whose executive officers served on our Compensation Committee, and none of our executive officers served as a member of the compensation committee of another entity, whose executive officers served as a member of our Board. Accordingly, there were no interlocks with other companies within the meaning of the SEC's proxy rules during 2019.

Certain Relationships and Related Person Transactions

The Audit Committee of the Board reviews all relationships and transactions in which the Company and its directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Other than as provided in the Audit Committee Charter, the Company does not have a written policy governing related-person transactions. The Company's legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. As required under SEC rules, transactions that are determined to be directly or indirectly material to the Company or a related person are required to be disclosed in a company's proxy statement. In addition, the Audit Committee reviews and approves or ratifies any related person transaction that is required to be disclosed. In the course of its review and approval or ratification of a disclosable related person transaction, the Audit Committee considers:

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

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

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

Board Leadership Structure

In accordance with our Bylaws and Corporate Governance Guidelines, the Board is responsible for selecting the Chief Executive Officer and the Chairman of the Board, and both of these positions may be held by the same person or they may be held by two persons. The Company's Corporate Governance Guidelines require the election, by the Board, of an independent lead director to serve during any period when there is no independent Chairman of the Board. R. Craig Carlock serves as Lead Independent Director and he has served in that capacity since May of 2019.

Other than a six-month period beginning in September 2018, during which our newly-appointed Chief Executive Officer, Thomas Schmitt, has not served as Chairman, the Company has operated for over ten years using a board leadership structure under which the Chief Executive Officer also serves as Chairman of the Board. The Board believes that the Company has been well-served in having a combined Chief Executive Officer and Chairman. The Board believes that having Mr. Schmitt serve as both Chief Executive Officer and Chairman of the Board demonstrates for the

Company's employees, suppliers, customers and other stakeholders that the Company is under strong leadership, with a single person setting the tone and having primary responsibility for managing its operations. The Board believes having Mr. Schmitt serve as Chief Executive Officer and Chairman of the Board is best for the Company and its shareholders at the present time. He is a recognized leader in the transportation industry and has all of the skills incumbent to serve as our Board's Chairman.

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

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

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

Risk Oversight

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

Corporate Sustainability and Responsibility

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

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

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

DIRECTOR COMPENSATION

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

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

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

- an annual cash retainer of \$70,000 for all non-employee directors;
- an additional annual cash retainer of \$50,000 for the Lead Independent Director;
- an additional annual cash retainer of \$20,000 for the Audit Committee Chair;
- an additional annual cash retainer of \$20,000 for the Corporate Governance and Nominating Committee Chair;
- an additional annual cash retainer of \$20,000 for the Compensation Committee Chair; and
- an additional annual cash retainer of \$10,000 for all non-Chair Audit Committee members, an additional annual cash retainer of \$10,000 for all non-Chair Compensation Committee members and an additional annual cash retainer of \$10,000 for all non-Chair Corporate Governance and Nominating Committee members.

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

In addition, effective May 22, 2007, the Company's shareholders approved the Company's Amended and Restated Non-Employee Director Stock Plan, as further amended on February 8, 2013 and January 25, 2016 (the "Amended Plan"). Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director is automatically granted an award (the "Annual Grant") in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, the Annual Grants will become vested and non-forfeitable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the grant date or (b) the first anniversary of the grant date, so long as the non-employee director's service with the Company does not earlier terminate. In 2019, each non-employee director received restricted shares valued at \$115,000.

Finally, the Board believes that directors more effectively represent the Company's shareholders, whose interests they are charged with protecting, if they are shareholders themselves. Therefore, the Board established certain independent director stock ownership guidelines which are set forth in the Company's Corporate Governance Guidelines. Specifically, the Company's independent directors are required to own shares of the Company's common stock, with a value equal to at least five times the annual cash retainer for independent directors. Each new independent director has three years from the date he or she joins the Board to obtain this ownership stake. As of March 11, 2020, each independent director was in compliance with his or her individual retention requirements as set forth in the Company's Corporate Governance Guidelines. The following table shows the compensation the Company paid in 2019 to its non-employee directors. The Company does not pay employee directors for Board service in addition to their regular employee compensation.

Name	Fees Paid in Cash (\$)	Stock Awards (\$ (1) (2))	All Other Compensation (\$ (3))	Total (\$)
Ronald W. Allen	\$ 93,516	\$ 115,000	\$ 1,364	\$ 209,881
Ana B. Amicarella	86,484	115,000	1,361	202,845
Valerie A. Bonebrake.....	80,000	115,000	1,364	196,364
C. Robert Campbell	94,066	115,000	5,154	214,220
R. Craig Carlock	112,967	115,000	1,361	229,328
C. John Langley, Jr.	80,000	115,000	1,361	196,361
G. Michael Lynch	93,516	115,000	1,361	209,878
Laurie A. Tucker	15,435	70,341	195	85,971
W. Gilbert West	86,484	115,000	1,211	202,695

- (1) Represents the aggregate grant date fair value of non-vested restricted shares and deferred stock unit awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The assumptions used in determining the grant date fair value of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC.
- (2) As of December 31, 2019, an aggregate of 21,261 deferred stock units, non-vested restricted shares or dividend equivalent rights were outstanding. As of December 31, 2019, no options were outstanding.
- (3) Represents dividend payments on non-vested restricted shares or dividend equivalents credited on deferred stock unit awards granted during 2019. These dividend payments and dividend equivalents are non-forfeitable.

The following table indicates the aggregate number of deferred stock units or non-vested restricted shares held by each incumbent director at the end of 2019 and those shares or units that have not yet vested.

Name	Number of Deferred Stock Units or Non- Vested Restricted Shares
Ronald W. Allen	1,871
Valerie A. Bonebrake.....	1,871
Ana B. Amicarella	1,855
C. Robert Campbell	7,161
R. Craig Carlock	1,855
C. John Langley, Jr.	1,855
G. Michael Lynch	1,855
Laurie A. Tucker.....	1,083
W. Gilbert West	1,855

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of shares of our outstanding common stock held as of the Record Date by (i) each director and director nominee; (ii) our Chief Executive Officer, Chief Financial Officer, each of the next three most highly compensated executive officers, as required by SEC rules (collectively, the named executive officers, or the “NEOs”); and (iii) all directors and executive officers as a group. The table also sets forth information as to any person, entity or group known to the Company to be the beneficial owner of 5% or more of the Company’s common stock as of December 31, 2019.

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

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percent of Class (%)(2)(3)
Directors, Nominees and NEOs		
Thomas Schmitt	63,879(4)	*
Ronald W. Allen	15,989(5)	*
Ana B. Amicarella	5,257(6)	*
Valerie A. Bonebrake.....	4,430(7)	*
C. Robert Campbell	25,810(8)	*
R. Craig Carlock	8,460(9)	*
Michael L. Hance.....	66,980(10)	*
Matthew J. Jewell.....	85,084(11)	*
C. John Langley, Jr.	28,397(12)	*
G. Michael Lynch	11,827(13)	*
Michael J. Morris	34,738(14)	*
Chris C. Ruble.....	36,224(15)	*
Laurie A. Tucker	1,083(16)	*
W. Gilbert West	3,020(17)	*
All directors and executive officers as a group (17) persons	421,670	1.50%
Other Principal Shareholders		
BlackRock, Inc.....	4,181,419(18)	14.9%
The Vanguard Group, Inc.	2,971,639(19)	10.6%

* Less than one percent.

- (1) The business address of each listed director, nominee and NEO is c/o Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745.
- (2) The percentages shown for directors, nominees and NEOs are based on 28,056,094 shares of common stock outstanding on the Record Date.
- (3) The percentages shown for the other principal shareholders are based on 27,850,233 shares of common stock outstanding on December 31, 2019.
- (4) Includes 33,334 options that are fully exercisable and 24,720 non-vested restricted shares
- (5) Includes 1,871 deferred stock units and dividend equivalents
- (6) Includes 1,855 non-vested restricted shares
- (7) Includes 1,871 deferred stock units and dividend equivalents

- (8) Includes 1,855 non-vested restricted shares, and 5,306 deferred stock units and dividend equivalents
- (9) Includes 1,855 non-vested restricted shares
- (10) Includes 32,867 options that are fully exercisable and 10,698 non-vested restricted shares
- (11) Includes 36,207 options that are fully exercisable and 11,039 non-vested restricted shares
- (12) Includes 1,855 non-vested restricted shares
- (13) Includes 1,855 non-vested restricted shares
- (14) Includes 12,633 options that are fully exercisable and 12,865 non-vested restricted shares
- (15) Includes 4,800 options that are fully exercisable, 12,228 non-vested restricted shares, and 29 shares of Common Stock owned by Mr. Ruble's child with whom he shares voting and investment power with respect to such shares
- (16) Includes 1,083 non-vested restricted shares
- (17) Includes 1,855 non-vested restricted shares
- (18) BlackRock, Inc. ("BlackRock"), 55 East 52nd Street, New York, New York 10055, reported beneficial ownership of the shares as of December 31, 2019 in a Schedule 13G/A filed with the SEC. BlackRock, a holding company, reported having sole voting power over 4,131,252 shares and sole dispositive power over 4,181,419 shares.
- (19) The Vanguard Group, Inc. ("Vanguard"), 100 Vanguard Boulevard, Malvern, Pennsylvania 19355, reported beneficial ownership of the shares as of December 31, 2019 in a Schedule 13G/A filed with the SEC. Vanguard, an investment adviser, reported having sole voting power over 59,156 shares, shared voting power over 4,613 shares, sole dispositive power over 2,911,139 shares, shared dispositive power over 60,500 shares, resulting in an aggregate amount of 2,971,639 shares beneficially owned.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (“CD&A”) is designed to provide our shareholders with a clear understanding of our compensation philosophy and objectives, compensation-setting process, the compensation elements of our named executive officers, or NEOs, and the compensation decisions and outcomes that occurred during the 2019 performance year. As discussed in Proposal 3, we are conducting our annual Say on Pay vote that requests your approval of the compensation of our NEOs as described in this section and in the tables and accompanying narrative. To assist you with this vote, please review our compensation philosophies, the design of our executive compensation programs and how, we believe, these programs are in line with our compensation philosophies and objectives, particularly ensuring alignment between the amount of compensation and our performance against our short and long-term goals.

NEOs

For 2019, our NEOs were:

Thomas Schmitt.....	President and Chief Executive Officer
Chris C. Ruble	Chief Operating Officer
Matthew J. Jewell	Chief Commercial Officer
Michael J. Morris.....	Chief Financial Officer and Treasurer
Michael L. Hance	Chief Legal Officer and Secretary

During 2019, Mr. Jewell was appointed as our Chief Commercial Officer. In that role, Mr. Jewell oversees our revenue, marketing and business development functions. In connection with Mr. Jewell’s appointment, Mr. Ruble was appointed Chief Operating Officer for all business segments including our Intermodal business segment.

Compensation Philosophy and Objectives

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

Executive Summary

2019 Performance Highlights

During 2019, our executive leadership team continued to evaluate our business segments, focus on operational excellence and refine our long-term strategic goals and objectives. The Company saw record revenue in 2019 despite freight challenges. Notable financial and operational highlights from 2019 include the following:

- Increased consolidated operating revenue by \$90 million, or 6.8%, to a record \$1.4 billion for the year ended December 31, 2019.
- Achieved \$118.8 million of consolidated income from operations, which was a decrease of \$3.3 million, or 2.7%, driven by a \$4.7 million increase in loss from other operations due to a \$6.5 million vehicle claims

reserve recorded in 2019 for pending vehicular claims. This operating income performance resulted in short-term incentive payouts significantly below target opportunity.

- Continued execution of our multi-year strategy to increase freight volumes and revenues by offering new and enhanced services that address more of our customers' premium transportation needs. These services include LTL pickup and delivery, customer label integration, expedited truckload, temperature-controlled shipments, warehousing, drayage, final mile solutions, customs brokerage and shipment consolidation and handling services.
- Acquired FSA Logistix, a privately held private mile provider that specializes in last mile logistics for a wide range of American companies, including national retailers, manufacturers, eTailers, and third-party logistics companies. The completion of the FSA acquisition increased our final mile offerings and footprint.
- Generated total shareholder return of 29.0% from December 31, 2018 to December 31, 2019.
- Executed strategic growth priorities for Intermodal by acquiring certain assets of O.S.T. Logistics, Inc. and O.S.T. Trucking Co., Inc. (together referred to as "OST") for \$12 million. Intermodal's operating revenue increased \$2 million, or 3.7%, to \$54.7 million for the year ended December 31, 2019.
- Generated a record \$159.0 million of cash flow from operations for the twelve months ended December 31, 2019, compared to \$152.6 million for the same period in 2018. After utilizing \$63.9 million in cash in investing activities in 2019, the Company returned \$76.7 million to shareholders through dividends and our stock repurchase program.
- Increased free cash flow to a record \$134.1 million in the year ended December 31, 2019, compared to \$117.3 million in the same period of 2018.
- Launched Operation: Forward Freedom on Veterans Day 2019, which is our Company program designed to provide support to our Veterans primarily through partnering with Hope for the Warriors, a nonprofit organization dedicated to restoring a sense of self, family and hope to U.S. military veterans.
- Joined Women in Trucking in November 2019. Women in Trucking is a nonprofit organization supporting and celebrating women in the trucking industry.
- Continued our partnership with Truckers Against Trafficking, a nonprofit organization that educates, equips and empowers and mobilizes members of the trucking and bus industries to combat human trafficking.

2019 Compensation Highlights

Our financial and operational performance, our pay-for-performance philosophy and the design of our pay programs led to the following Committee actions and plan payouts to our NEOs for 2019:

- *Base salaries.* Approved base salary increases to our NEOs in January 2019 as follows:

NEO	2018 Base Salary	2019 Base Salary	% Increase	Rationale
Mr. Schmitt	\$ 800,000	\$ 800,000	0%	
Mr. Ruble	533,000 ⁽¹⁾	560,000	5.0%	Merit increase + market adjustment
Mr. Jewell	478,000	492,000	3.0%	Merit increase
Mr. Morris.....	440,000	462,000	5.0%	Merit increase + market adjustment
Mr. Hance	389,000	405,000	4.0%	Merit increase

(1) Mr. Ruble received a base salary increase in July 2018 in connection with his promotion to Chief Operating Officer of all business segments other than Intermodal. This increase was inadvertently not reflected in the Compensation Discussion and Analysis included in our 2019 Proxy Statement. However, it was included in the 2019 compensation tables.

- *Short-term incentive payouts.* Based on operating income performance at the Company and business unit level (as applicable) and individual performance, approved payouts to our NEOs under our annual incentive plan that ranged from 58.5% to 67.0% of target. Mr. Schmitt received a payout of 59.1% of target.
- *Long-term incentive grants.* In order to promote stock ownership and increase the weight of performance shares to 50% of the total target award value, the Committee approved replacing stock options (weighted 25% of award) with performance shares earned based on achievement of 3-year cumulative earnings before interest, tax, depreciation and amortization per share (“EBITDA Per Share”) versus target. The remaining 75% of the award value consisted of time-based restricted stock (50%) and performance shares earned through relative TSR performance versus peers (25%). The aggregate grant date fair value of the awards to our NEOs other than Mr. Schmitt ranged from \$330,000 to \$500,000. Given their positions and responsibilities, and to better align their compensation with market, the grant date fair value of Mr. Morris’ and Mr. Ruble’s long-term incentive grants were increased in October 2019 from \$330,000 to \$500,000 and \$450,000 respectively. As a result, at that time, they received off-cycle long-term incentive plan awards to reflect the increased overall grant value. Mr. Schmitt did not receive a long-term incentive award in 2019 given the award he received in connection with his appointment as CEO in September 2018.
- *Long-term performance plan payouts.* Based on total shareholder return relative to our peer companies, our 75th percentile ranking resulted in approved payouts for the January 2017 to December 2019 performance period equal to 162% of target. The grant date value of those grants was \$110,000 for each of Messrs. Morris, Jewell, Ruble and Hance. Mr. Schmitt did not receive a payout as he was not employed on the date of grant.
- *Compensation Policies.* Revised our Clawback Policy to, among other things, add material violations of Company policies, supervisory failures and failures to report misconduct as triggering events.

Compensation-Setting Process

Role of Shareholder Say on Pay Vote

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a “say on pay proposal”). At the Company’s annual meeting of shareholders held in May 2019, approximately 98.61% of the votes cast on the say on pay proposal were voted in favor of the proposal. The Committee believes this outcome affirms shareholders’ support of our approach to executive compensation and did not change our approach in 2019 based upon the results of this advisory vote. The Committee will continue to consider the outcome of say on pay votes when making future compensation decisions for the NEOs.

Role of the Compensation Committee

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

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

Role of the Compensation Consultant

The Committee has selected and directly retains the services of Meridian. The Committee periodically seeks input from Meridian on a range of external market factors including evolving compensation trends, appropriate peer companies to compare programs, practices and performance and market survey data for benchmarking pay levels. Meridian also provides general observations on the Company’s compensation programs, and policies but it does not determine or recommend the amount or form of compensation for the NEOs. During 2019, Meridian attended all six Committee meetings and participated in discussions regarding the changes to base salary, the change to the long-term incentive awards and the increased LTIP values given to certain executive officers. The Committee determined that Meridian was independent during 2019 per Nasdaq listing standards and had no conflicts of interest to disclose.

Role of Executive Officers in Compensation Decisions

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

The Chief Executive Officer, Chief People Officer, Chief Financial Officer and Chief Legal Officer regularly attend Compensation Committee meetings at the Committee’s request. The Chief People Officer typically presents recommendations for program design changes and individual pay levels for executive officers (except for his own), taking

into consideration individual performance of each incumbent, appropriate benchmarking information and issues that may arise from an accounting, legal and tax perspective.

Compensation Practices

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

<i>What We Do</i>	<i>What We Don't Do</i>
<ul style="list-style-type: none"> ■ Provide pay opportunities that are appropriate to the size of the Company ■ Maintain a pay program that is heavily performance-based and uses multiple performance measures ■ Disclose financial performance metrics and goals used in our incentive plans ■ Create alignment between executives and shareholders through a long-term incentive linked to stock price and measurement of stock performance versus peer companies ■ Maintain meaningful executive stock ownership and retention guidelines ■ Annually review the risk profile of compensation programs and maintain risk mitigators ■ Provide moderate severance and change-in-control protection ■ Require double-trigger vesting on long-term equity awards in the event of a change-in-control ■ Maintain a clawback policy allowing recovery of cash or equity-based compensation in certain circumstances including material negative revisions to relevant financial results, material violations of the Code of Business Conduct and reckless supervision under certain circumstances ■ Retain an independent compensation consultant engaged by, and reporting directly to, the Committee 	<ul style="list-style-type: none"> ■ Allow repricing or backdating of stock options without shareholder approval ■ Provide excise tax gross-ups ■ Allow executive officers to hedge or pledge Company stock ■ Provide special supplemental executive retirement programs ■ Provide tax gross-ups on perquisites ■ Provide significant perquisites

Key Elements of Executive Compensation Program

Consistent with our compensation philosophies and objectives, we have structured executive compensation to motivate executives to achieve our business goals and to reward our executives for achieving such goals.

For the fiscal year ended December 31, 2019, the components of compensation for our NEOs were:

- Base salary;
- Annual incentive compensation;
- Long-term equity incentive compensation; and
- Retirement and other benefits.

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

At the beginning of 2019, the Committee established a total target compensation for each NEO comprised of base pay, annual incentives and long-term incentives (“LTI”). The Committee referred to market data included in Aon Hewitt’s Total Compensation Measurement general industry database which is periodically provided by the Committee’s independent compensation consultant. When utilizing the Aon Hewitt data, the Committee focused on pay opportunities at the size-adjusted 50th percentile of the market for executives holding similar positions. In addition to the market data for similarly situated positions, the Committee also considered other factors when establishing target total compensation opportunities, including, but not limited to the experience level of the individual, the value of the individual executive to the Company, the individual’s position within the Company and existing and prior year awards.

In 2019, the total target compensation for the NEOs is set forth in the chart below.

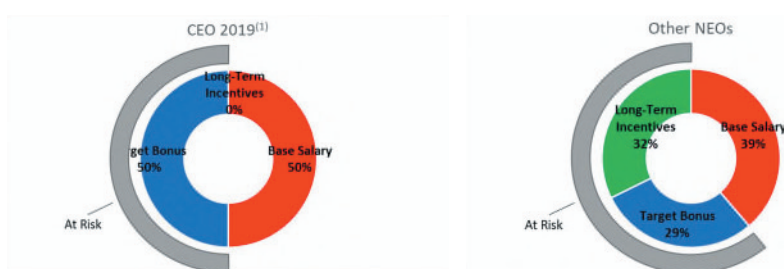
NEO	<u>Target Annual Incentives</u>			Target Long-Term Incentive	Total Target Compensation
	Base Salary	Dollar Amount	As a Percent of Base Salary		
Mr. Schmitt	\$ 800,000	\$ 800,000	100%	\$ 0 ⁽¹⁾	\$ 1,600,000
Mr. Morris.....	462,000	346,500	75%	500,000 ⁽²⁾	1,308,500
Mr. Ruble	560,000	420,000	75%	450,000 ⁽³⁾	1,430,000
Mr. Jewell	492,000	369,000	75%	330,000	1,191,000
Mr. Hance	405,000	303,750	75%	330,000	1,038,750

(1) As previously disclosed, Mr. Schmitt did not receive a long-term incentive award in 2019 given the award he received upon his appointment to CEO in September 2018.

(2) In October 2019, Mr. Morris’ target LTI value was increased from \$330,000 to \$500,000 to better align his compensation with market.

(3) In October 2019, Mr. Ruble’s target LTI value was increased from \$330,000 to \$450,000 to better align his compensation with market.

Our compensation programs are designed to motivate strong annual and long-term performance. We set a majority of total compensation (base salary, annual incentives and long-term incentives) for the NEOs to be “at risk”, meaning that the compensation is earned by meeting annual or long-term performance goals or is influenced by stock price. The 2019 compensation elements with “at risk” components are as follows:



(1) As previously disclosed, Mr. Schmitt did not receive a long-term incentive award in 2019 given the award he received upon his appointment to CEO in September 2018.

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

Base Salary

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

Base salaries for 2019 for the NEOs were determined for each executive based on position and responsibility and by reference to market data. The Committee also considers factors such as internal pay equity, level of experience and qualifications of the individual, scope of responsibilities and future potential, succession planning and objectives established for the executive as well as the executive's past performance. The base salaries for the NEOs for the fiscal year ended December 31, 2019 are set forth in the "Salary" column of the Summary Compensation Table on page 37 of this Proxy Statement. Base salary increases ranged from 3% to 5% to be consistent with Company-wide merit increases and to ensure market competitiveness. As planned, Mr. Schmitt did not receive a salary increase in 2019 based on his appointment to CEO in September 2018.

Annual Incentive Compensation

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

Annual cash incentive plan target opportunity levels (reflected as a percentage of base salary) approved by the Committee for the NEOs in 2019, which remain unchanged from the prior year, were as follows:

NEO	2019 Target Bonus Opportunity (as a percent of base salary)
Mr. Schmitt	100%
Mr. Ruble	75%
Mr. Jewell	75%
Mr. Morris	75%
Mr. Hance	75%

The components of the Annual Incentive Plan for all Named Executive Officers and their weighting with respect to the total cash incentive opportunity are reflected in the chart below.

Annual Cash Incentive Plan

Executive	Components of Plan	Weighting as a % of Target
Schmitt ⁽¹⁾ Ruble ⁽²⁾ , Morris, Jewell ⁽²⁾ and Hance	(1) Corporate Performance	80 %
	(2) Individual Performance	20 %

(1) Mr. Schmitt commenced employment with the Company on September 1, 2018, well after the beginning of the year individual goal-setting process concluded. As such, the Committee determined to make 100% of his pro-rated annual incentive for 2018 dependent 100% upon Corporate Performance. In 2019, the Committee adjusted the weightings to include Individual Performance in accordance with the Committee's philosophy to reward individual contributions against specific and meaningful objectives and consistent with historical practice and the weightings of the other executives.

(2) Mr. Jewell was appointed Chief Commercial Officer in June 2019. At that time, Mr. Ruble took responsibility for our Intermodal segment. To reflect their new responsibilities, the weightings for Messrs. Ruble and Jewell were adjusted for the second half of 2019. The chart above reflects these adjusted weightings. For the first half of the year, Mr. Ruble's weightings were 30% Corporate Performance, 20% Individual Performance and 50% Business Unit Performance (30% Expedited LTL, 10% Truckload and 10% Pool). Mr. Jewell's weightings were 30% Corporate Performance, 20% Individual Performance and 50% Business Unit Performance (all of which relates to the Intermodal segment).

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

Corporate Performance and Business-Segment Performance Operating Income Goals. The Committee established corporate and business-segment operating income goals for 2019 and corresponding incentive payments for achievement of such goals. Goals were set to represent five incremental performance levels: downside, low, target, high and stretch. The target level for operating income generally reflects our internal business plan at the time the target is established, subject to adjustment to take into account known headwinds or tailwinds and other economic conditions. Downside, low, high and stretch levels are designed to provide a smaller award for lower levels of acceptable performance (downside and low) or reward exceptional levels of performance (high and stretch). Payout for performance between points is interpolated on a straight-line basis. Downside targets were established in 2019 to provide a minimal level of payout if there is an unforeseen decline in performance. The downside target amounts were moderately below 2018 actual performance. The Committee retains discretion as to the amount of the ultimate short-term incentive to be paid.

The 2019 operating income goals and corresponding performance levels are noted below.

Operating Income (\$000s)	Downside	Low	Target	High	Stretch	FY 2019 Results	% of Target Payout
Corporate ⁽¹⁾	\$113,093	\$120,236	\$135,166	\$142,773	\$148,222	\$119,562	47.6%
Business-Segment							
Expedited LTL ⁽²⁾	\$92,372	\$96,690	\$105,246	\$108,779	\$111,522	\$97,705	55.9%
Truckload Premium Services ⁽³⁾	\$4,001	\$4,787	\$7,192	\$9,053	\$9,689	\$3,359	0.0%
Intermodal ⁽⁴⁾	\$20,719	\$22,211	\$24,662	\$25,890	\$27,256	\$23,679	79.9%
Pool Distribution ⁽⁵⁾	\$6,750	\$7,629	\$9,490	\$10,818	\$11,875	\$7,275	39.9%
% of Target Payout	25%	50%	100%	150%	200%		

- (1) Target represents an 10.7% increase over operating income for 2018. Corporate operating income results for FY 2019 were adjusted to exclude \$0.739 million of unbudgeted expenses related to the M&A activity.
- (2) Target represents a 9.2% increase from 2018 results. Expedited LTL operating income results for FY 2019 were adjusted to exclude \$0.739 million of unbudgeted expenses related to M&A activity.
- (3) Target represents a 9.2% increase from 2018 results.
- (4) Target represents a 5.8% increase from 2018 results.
- (5) Target represents a 60.8% increase from 2018 results.

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

2019 Annual Incentive Payout. The Committee met in February 2020 to determine whether the Company's 2019 performance merited payment to the NEOs under the annual cash incentive plan, and, if so, to determine the amount of such incentive awards.

- Corporate Performance Component: Adjusted income from operations was \$119,562 million, which resulted in a payout of 47.6% of the total target Corporate Performance annual incentive opportunity.
- Business-Segment Performance Component: Income from operations for Expedited LTL, Truckload Premium Services and Pool Distribution was \$97,705 million, \$3,359 million and \$7,275 million, respectively, which resulted in prorated payouts of 55.9%, 0% and 39.9% of the target Business-Segment Performance incentive opportunity for Expedited LTL, Truckload Premium Services and Pool Distribution, respectively, for Mr. Ruble. Intermodal's income from operations was \$23,679 million, which resulted in a prorated payout of 79.9% of the target Business-Segment Performance incentive opportunity for Mr. Jewell.
- Individual Performance: The Committee also considered performance against the individual objectives set for the NEOs. In 2019, those individual objectives encompassed:
 - Contributions to meeting established corporate and departmental goals;
 - Contributions to succession and talent development initiatives;
 - Continuous improvement of business and functional operations; and
 - Personal development in areas of leadership, planning and teamwork.

After a performance appraisal of each executive officer and a review of their achievement of the personal goals which had been set for them, Mr. Schmitt recommended to the Committee an achievement of 105%, 103%, 104% and 102% of target for Messrs. Ruble, Morris, Jewell and Hance, respectively, which they approved. The Compensation Committee evaluated the performance of Mr. Schmitt in a similar manner. In addition to the factors mentioned above, Mr. Schmitt's individual performance objectives also encompassed long-term strategic planning initiatives. Based on its review, the Committee determined that Mr. Schmitt achieved 105% his personal individual objectives for 2019 at target levels.

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

Executive	Corporate Performance Component	Individual Objectives Component	Business- Unit Performance Component	Total Payout Under 2019 Annual Cash Incentive Plan
Mr. Schmitt.....	\$ 304,640	\$ 168,000	\$ N/A	\$ 472,640
Mr. Ruble	109,956	88,200	43,596	241,752
Mr. Jewell.....	96,604	76,752	73,708	247,064
Mr. Morris	131,947	71,379	N/A	203,326
Mr. Hance.....	115,668	61,965	N/A	177,633

Long-Term Equity Incentive Awards

The objective of providing long-term incentives (LTI) is to attract and retain critical leadership, align executive interests to those of shareholders, enhance long-term thinking in general and focus executives on metrics that lead to increased shareholder value over the long term. Our long-term incentives are specifically designed to reward for stock price appreciation and outperformance of shareholder return relative to industry peer companies.

Recognizing that 2018 was Mr. Schmitt's first year with the Company, the Committee structured his initial pay package to give him a significant stake in the Company immediately upon his appointment as CEO. Accordingly, upon the commencement of his employment on September 1, 2018, Mr. Schmitt was awarded an aggregate target long-term incentive award valued at \$3,291,000 split approximately evenly between restricted shares and stock options, which will vest equally on each of the first, second and third anniversaries of the grant date. This at-risk award provided Mr. Schmitt with an initial inducement and immediately aligned Mr. Schmitt's performance-incentives with those of our broader leadership team and shareholders. This award was intended to serve as Mr. Schmitt's long-term incentive award for both 2018 and 2019. As such, Mr. Schmitt received no additional long-term incentive award in 2019.

The Committee established 2019 target values for each other NEO for the total LTI component. The target LTI values for Messrs. Jewell and Hance remained unchanged at \$330,000. Initially, the Board set Messrs. Ruble and Morris' LTI value at \$330,000 consistent with prior years. Based on market data and Mr. Ruble's expanded responsibilities, in October 2019, the Committee increased the target LTI values for Messrs. Ruble and Morris to \$450,000 and \$500,000, respectively.

Changes to LTI Program for 2019. In February 2019, management proposed, and, after discussion with Meridian, the Committee approved, the following change to the long-term incentive plan design for awards provided to the NEOs (other than Mr. Schmitt who did not receive a grant) in 2019:

- Replace stock options (weighted 25% of award) with performance shares earned based on achievement of 3-year cumulative earnings before interest, tax, depreciation and amortization per share ("EBITDA Per Share") versus target.
- Continue to deliver remaining 75% through grants of time-based restricted stock (50%) and performance shares earned based on relative TSR performance versus peers (25%).

The Committee believes this is an appropriate change in that it:

- Continues to promote retention and stock ownership;

- Reduces emphasis on stock options (which have been declining in market prevalence and weight) and which are considered by some shareholders not to be “performance-based”;
- Increases weight of performance shares to 50% of total target award value; and
- Focuses executives on an internal financial measure that would capture growth in EBIT while providing insight into cash flow, all of which we believe further align our executives’ interests with the interests of our shareholders.

Accordingly, in 2019, the Committee approved the following target long-term incentive awards for the NEOs:

Executive	2019 Restricted Stock Grant	2019 Target TSR Performance Share Grant	2019 Target EBITDA Per Share Performance Share Grant	2019 Total Long-Term Incentive Award
Mr. Schmitt	\$ 0	\$ 0	\$ 0	\$ 0
Mr. Ruble	225,000	112,500	112,500	450,000
Mr. Jewell	165,000	82,500	82,500	330,000
Mr. Morris.....	250,000	125,000	125,000	500,000
Mr. Hance	165,000	82,500	82,500	330,000

The number of shares of restricted stock and performance shares issued to the NEOs under the 2016 Omnibus Incentive Compensation Plan (the “Omnibus Plan”) for the fiscal year ended December 31, 2019 are set forth in the Grants of Plan-Based Awards for Fiscal 2019 Table on page 39 of this Proxy Statement.

Equity-based awards. The value to the executive of all three components comprising long-term equity compensation in 2019 (restricted stock, TSR performance shares and EBITDA per share performance shares) is impacted by the performance of the Company’s stock.

- Restricted stock becomes more valuable to the executive if our stock price increases, and the executive shares in the downside risk of a decline in our stock price.
- The number of performance shares earned, if any, will depend on how the Company’s stock performs relative to transportation industry peers and against established EBITDA per share targets.

As it is possible that there will be no payout under the performance shares, these awards are completely “at-risk” compensation. This emphasis on at-risk compensation in the LTI awards accomplishes our goal of creating a pay-for-performance culture at the executive level, while striking the appropriate balance between risk, retention and reward. Each element of the LTI is discussed in more detail below.

Restricted Stock. A share of restricted stock is a share of the Company’s common stock that is subject to vesting requirements based on continued employment. Restricted stock grant sizes are calculated generally by multiplying the target LTI economic value by the weighting assigned to the restricted stock component and dividing it by the value of a single share of common stock determined using the estimated grant date fair value. The estimated grant date fair value of the restricted shares awarded to the NEOs in February 2019 was \$59.07, the closing price of the Company’s common stock on the date of grant.

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

current basis throughout the vesting period. To the extent not earlier vested, these options will vest upon the death or disability of the recipient, as well as upon involuntary termination of employment in connection with or within 24 months after the change in control.

Performance Shares. A performance share is the right to receive a share of Company common stock based upon the achievement of certain performance criteria. TSR performance share grant sizes awarded in 2019 were calculated by multiplying the target LTI economic value by the weighting assigned to the TSR performance share component and dividing it by \$63.12, the value of a single performance share on the date of grant determined using a Monte Carlo valuation model. EBITDA performance share grant sizes awarded in 2019 were calculated by multiplying the target LTI economic value by the weighting assigned to the EBITDA performance share component and dividing it by \$59.07, the closing price of the Company's common stock on the date of grant.

TSR Performance Shares. TSR performance shares are earned on the basis of our Total Shareholder Return ("TSR") measured over a three-year period, relative to the TSR of a peer group of transportation companies. For performance share awards made in 2016 and after, the following 12 companies were included in the TSR peer group:

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

The actual number of performance shares earned is based on the percentile of our TSR among the TSRs of the comparator group companies described above during the three-year performance period. Calculations are conducted at the end of each of the last four quarters of the performance period using the payout/performance scale below, and then averaged to determine the actual payout. Payouts can range from 0 to 200% of the target number of performance shares awarded.

Payout for performance between points is calculated using straight-line interpolation.

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

TSR is calculated based on the change in share price plus reinvestment of dividends, with beginning and ending share price calculated as follows:

- Beginning market price equals the closing price on the last trading day immediately preceding the first day of the performance period.
- Ending market price equals the last trading day of each measurement period (i.e., the final four calendar quarters).

The performance shares pay out in shares of our common stock shortly after the close of the three-year performance period. Dividends are not paid on unvested TSR performance shares but rather are paid if and when the underlying performance shares have been earned and vested. TSR performance shares vest upon the death or disability of the recipient at target, as well as upon involuntary termination of employment in connection with or within 24 months after the change in control as such term is defined in the Omnibus Plan.

2017 Performance Shares. Based on our TSR of 48.5% for the January 2017 to December 2019 performance period, we ranked at the 75th percentile of our transportation industry peer group. As a result, these awards paid out at 162% of target.

EBITDA Performance Shares. EBITDA performance shares are earned on the basis of our EBITDA per Share measured over a three-year period. EBITDA per Share is defined as earnings before interest, tax, depreciation and amortization per share (“EBITDA per Share”). For purposes of determining the achievement of EBITDA per Share, the Committee may determine to exclude from earnings non-recurring, non-operational or other items that the Committee believes should be excluded.

The actual number of EBITDA performance shares earned is based on achievement of EBITDA per Share over a three-year period against pre-set cumulative EBITDA per share targets. The performance shares provide an opportunity for shares to be earned at the end of a three-year performance period if pre-established financial goals are met. These goals have been tailored to be difficult to achieve, so as to incentivize our NEOs to maximize their performance. We believe that the performance targets underlying our long-term equity incentive program are rigorous, and we have not disclosed current targets because their disclosure would allow our competitors to determine the EBITDA and pricing related to key programs, which would be competitively harmful to us. The EBITDA performance shares pay out in shares of our common stock shortly after the close of the three-year performance period. Payouts can range from 0 to 200% of the target number of performance shares awarded based on performance relative to the targets.

Dividends are not paid on unvested EBITDA performance shares but rather are paid if and when the underlying performance shares have been earned and vested. EBITDA performance shares vest upon the death or disability of the recipient at target, as well as upon involuntary termination of employment in connection with or within 24 months after the change in control as such term is defined in the Omnibus Plan.

Retirement and Other Benefits

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

All full-time Company employees, including the NEOs, are entitled to participate in the 401(k) retirement savings plan. Under that plan, for each pay period, the Company provides a \$0.25 matching contribution for every dollar an employee elects to defer into the 401(k) plan, limited to elective deferrals up to 6% of the employee’s compensation for the pay period. The matching contribution is subject to the rules and regulations on maximum contributions by individuals under such a plan. Matching contributions to the NEOs for the fiscal year ended December 31, 2019 are reflected in the “401(k) Match” column of the All Other Compensation Table on page 38 of this Proxy Statement.

Additionally, all full-time employees, including the NEOs, are eligible to participate in the 2005 Employee Stock Purchase Plan (the “ESPP”) upon enrolling in the ESPP during one of the established enrollment periods. Under the terms of the ESPP, eligible employees can purchase shares of the Company’s common stock through payroll deduction and lump sum contributions at a discounted price. The purchase price for such shares of common stock for each option period, as described in the ESPP, will be the lower of: (a) 90% of the closing market price on the first trading day of an option period (there are two option periods each year—January 1 to June 30 and July 1 to December 31) or; (b) 90% of the

closing market price on the last trading day of the option period. Under the ESPP, no employee is permitted to purchase more than 2,000 shares of the Company's common stock per option period or shares of common stock having a market value of more than \$25,000 per calendar year, as calculated under the ESPP. Mr. Schmitt does not participate in the ESPP.

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

Severance Arrangements

Our NEOs, including Mr. Schmitt, are covered by an executive severance and change in control plan (the "Severance Plan"), which became effective January 1, 2013, and was amended and restated May 24, 2018. The objectives of the Severance Plan are to enhance the attraction and retention of executive talent during corporate upheaval, enable management to evaluate and support potential transactions that might be beneficial to shareholders even though the result would be a change in control of the Company, and obtain important corporate protections upon terminations of employment. The plan is designed to reward executives for remaining employed when their prospects for continued employment following a change in control or other corporate upheaval may be uncertain. We chose to adopt the plan to protect shareholder value in such events by increasing the possibility of retaining an intact management team.

The severance benefits available to our NEOs under the Severance Plan are described in more detail under the Section entitled "Potential Payments upon Termination, Change of Control, Death or Disability" on pages 43 - 46 of this Proxy Statement and in the table set forth on pages 45 - 46 of that Section.

Tax and Accounting Implications

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

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

Other Compensation and Governance Policies

Risk Management

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

Program design features for NEOs that mitigate risk include the following:

- Balanced mix of pay including base salary (fixed compensation) and a balance of annual (cash) and long-term (equity) incentives;
- Capped short-term incentives;
- Short-term incentive goals tied to financial goals of corporate-level strategic plan;

- Annual equity-based incentive grants without backdating or repricing;
- Stock ownership guidelines applicable to senior executive officers, as described below;
- Prohibition on hedging and pledging Company stock, as described below; and
- A compensation recoupment or “clawback” policy, as described below.

Committee processes mitigating risk include:

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

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

Stock Ownership Guidelines

The Company has adopted executive stock ownership and retention guidelines (the “Ownership Guidelines”). These Ownership Guidelines are applicable to executive officers, including the NEOs. Our Ownership Guidelines are designed to increase executives’ equity stakes in the Company and to align executives’ interests more closely with those of shareholders. The Ownership Guidelines require covered executives to own, and hold during his or her tenure with the Company, shares of the Company’s common stock sufficient in number to satisfy the relevant amount specified below as a multiple of the executive’s annual base salary. Effective February 6, 2018, these Ownership Guidelines were amended to increase the ownership multiples applicable to the NEOs and other executive officers as reflected in the chart below:

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

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

Prohibition Against Hedging and Pledging

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

Policy on Recoupment of Executive Compensation

The Company has adopted a discretionary incentive compensation clawback policy (the "Recoupment Policy") that applies to its executive officers, including the NEOs, and certain other specified employees. In February 2019, the Company approved amendments to the Recoupment Policy that expanded its reach. This amended policy allows the Company to seek reimbursement with respect to incentive compensation paid or awarded to executive officers in any of the circumstances listed below.

- A determination is made that the executive officer engaged in fraud, theft, misappropriation or embezzlement.
- A determination is made that the Company is required to file an accounting restatement with the SEC that resulted from either the intentional misconduct of the executive officer or, regardless of the existence of intentional misconduct, results in a material negative revision of a financial or operating measure that was used to determine incentive compensation.
- Any other material negative revision of a financial or operating measure within 36 months after such financial or operating measure served as the basis on which incentive compensation was awarded or paid to an executive officer.
- An error or calculation of an executive officer's incentive compensation payout within 6 months after such erroneous amount is paid.
- Material violations of the Company's Business Code of Conduct and Ethics that could reasonably lead to a material financial or reputational harm to the Company.
- The executive officer is terminated from employment by the Company due to a felony conviction or the failure to contest prosecution for a felony or, in the Committee's determination, for such executive officer's gross negligence, willful misconduct or dishonesty, any of which could reasonably lead to material financial or reputational harm to the Company.
- The executive officer's failure to report or reckless failure to supervise his or her direct reports which in the Committee's determination, resulted in such executive officer's failure to detect, in each case, gross negligence, willful misconduct or dishonesty on the part of others, any of which could reasonably lead to material financial or reputational harm to the Company.

The Recoupment Policy allows the Company to recover incentive compensation awarded to the affected executive officers, including, but not limited to, bonuses, annual, periodic or long-term cash incentive compensation, stock-based awards and the Company stock acquired thereunder, and sale proceeds realized from the sale of Company stock acquired through stock-based awards. All actions taken and decisions made relating to the Recoupment Policy are in the Committee's sole and absolute discretion.

Key Provisions of Stock Incentive Plan and Omnibus Plan

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

Compensation Committee Report on Executive Compensation

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

Submitted by:

R. Craig Carlock, Chairman

C. Robert Campbell

C. John Langley

W. Gilbert West

*The Compensation Committee of the Board of
Directors*

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the compensation earned in 2019, 2018 and 2017 by the NEOs.

Name & Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Award(s) (\$)(1)	Option Award(s) (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total
Thomas Schmitt President, CEO and Chairman	2019	800,000	—	—	—	472,640	60,081	1,332,721
	2018	249,231	413,000	1,606,500	1,684,660	317,997	92,521	4,363,909
Michael J. Morris CFO and Treasurer	2019	462,000	—	500,000	—	203,326	14,326	1,179,652
	2018	440,000	—	577,500	82,500	380,424	12,644	1,493,068
	2017	409,000	—	220,000	110,000	316,321	107,088	1,162,409
Matthew J. Jewell Chief Commercial Officer	2019	492,000	—	330,000	—	247,064	12,697	1,081,761
	2018	478,000	—	577,500	82,500	514,627	10,694	1,663,321
	2017	464,000	—	220,000	110,000	178,072	7,082	979,154
Chris C. Ruble Chief Operating Officer	2019	560,000	—	450,000	—	241,752	12,865	1,264,617
	2018	533,000	—	577,500	82,500	450,638	11,250	1,654,888
	2017	464,000	—	220,000	110,000	435,592	7,642	1,237,234
Michael L. Hance Chief Legal Officer and Secretary	2019	405,000	—	330,000	—	177,633	12,697	925,330
	2018	389,000	20,000	577,500	82,500	336,329	11,250	1,416,579
	2017	374,000	—	220,000	110,000	309,252	9,469	1,022,721

- (1) Represents the aggregate grant date fair value of non-vested restricted share and performance share awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The awards for which the aggregate grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2019 Table on page 39 of this Proxy Statement. The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC.
- (2) Represents the aggregate grant date fair value of stock option awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The awards for which the aggregate grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2019 Table on page 39 of this Proxy Statement. The assumptions used in determining the grant date fair values of these awards are set forth in the notes to the Company's consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC.
- (3) Represents cash incentives earned under the 2019 Annual Cash Incentive Plan.
- (4) See the All Other Compensation Table below for additional information.

All Other Compensation Table

The following table shows the components of “all other compensation” earned in 2019 by the NEOs.

Name	Year	Total All Other	401(k) Match (1)	Dividend (2)	Long-term Disability Insurance (3)
Thomas Schmitt	2019	\$ 60,081	\$ 4,050	\$ 16,500	\$ 846
Michael J. Morris	2019	14,326	4,050	9,430	846
Matthew J. Jewell.....	2019	12,697	4,050	7,801	846
Chris C. Ruble.....	2019	12,865	4,050	7,969	846
Michael L. Hance.....	2019	12,697	4,050	7,801	846

- (1) The amount shown represents the Company’s contributions to the 401(k) Plan.
- (2) Represents dividend payments during 2019 on all non-vested restricted shares held by the executive. These dividend payments are nonforfeitable.
- (3) Represents premiums paid by the Company for long-term disability insurance for officers.

Grants of Plan-Based Awards for Fiscal 2019

The following table shows the plan-based awards granted to the NEOs in 2019.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Shares to be Issued Under Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#) (2), (4)	All Other Option Awards: Number of Securities Underlying Options (#) (3), (4)	Exercise or Base Price of Option Awards (\$/Sh) (5)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Thomas Schmitt	2/4/2019	—	800,000	1,600,000							
Michael J. Morris	2/4/2019	—	346,500	693,000							
	2/4/2019				1,352	2,704	5,408				165,000
	2/4/2019							2,793			165,000
	9/13/2019				644	1,288	2,576				85,000
	9/13/2019							1,317			85,000
Matthew J. Jewell	2/4/2019	—	369,000	738,000							
	2/4/2019				1,352	2,704	5,408				165,000
	2/4/2019							2,793	165,000		
Chris C. Ruble	2/4/2019	—	420,000	840,000							
	2/4/2019				1,352	2,704	5,408				165,000
	2/4/2019							2,793			165,000
	9/13/2019							930			60,000
	9/13/2019				455	909	1,818				60,000
Michael L. Hance	2/4/2019	—	303,750	607,500							
	2/4/2019				1,352	2,704	5,408				165,000
	2/4/2019							2,793			165,000

- (1) Represents performance share awards granted in 2017, 2018 and 2019 under the Omnibus Plan. The performance shares cliff vest two-and-a-half months after the last day of the three-year performance periods that end December 31, 2019, December 31, 2020, and December 31, 2021 respectively. The number of shares that vest will be based on the TSR of Forward Air Corporation stock compared to the TSR of a determined peer group. See pages 31- 32 of this Proxy Statement for additional information.
- (2) Represents vested and unvested restricted shares granted under the Omnibus Plan.
- (3) Represents stock options granted under the Omnibus Plan.
- (4) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
- (5) In accordance with the provisions of the Omnibus Plan, the exercise price of stock option grants is set using the closing market price on the day of grant. In the event that there is no public trading of the Company's common stock on the date of stock option grant, the exercise price will be the closing price on the most recent, prior date that the Company's common stock was traded.

Outstanding Equity Awards at Fiscal Year-End

The following table shows information about outstanding equity awards at December 31, 2019.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Grant Date	Option Expiration Date	Number of Shares of Stock That Have Not Vested (1)	Market Value of Shares of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Shares That Have Not Vested (3)	Equity Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested (2)
Thomas Schmitt	33,334	66,666	64.26	9/1/18	9/1/25	52,584	3,678,251	—	—
Michael J. Morris	6,065 1,768	3,033 3,535	47.82 58.40	2/6/17 2/5/18	2/6/24 2/5/25	12,152	850,032	14,164	990,772
Matthew J. Jewell	7,349 6,846 9,379 6,065 1,768	— — — 3,033 3,535	42.48 50.71 43.67 47.82 58.40	2/6/14 2/9/15 2/8/16 2/6/17 2/5/18	2/6/21 2/9/22 2/8/23 2/6/24 2/5/25	10,835	757,908	11,588	810,581
Chris C. Ruble	— —	3,033 3,535	47.82 58.40	2/6/17 2/5/18	2/6/24 2/5/25	11,765	822,962	13,406	937,750
Michael L. Hance	4,009 6,846 9,379 6,065 1,768	— — — 3,033 3,535	42.48 50.71 43.67 47.82 58.40	2/6/14 2/9/15 2/8/16 2/6/17 2/5/18	2/6/21 2/9/22 2/8/23 2/6/24 2/5/25	10,835	757,908	11,588	810,581

- (1) In general, each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
- (2) The market value is based on the closing price of the Company's common stock on Nasdaq on December 31, 2019 of \$69.95.
- (3) Represents performance share awards granted under the Omnibus Plan. The performance shares cliff vest after the close of their respective three-year performance periods. The number of shares that vest will be based on the TSR of Forward Air Corporation stock compared to the TSR of a determined peer group. See pages 31- 32 of this Proxy Statement for additional information. Shares presented represent the maximum available award. As to date,

the Company's TSR performance under existing awards would result in payouts ranging from target to maximum payout.

Option Exercises and Stock Vested

The following table shows information about options exercised or shares acquired on vesting during 2019.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) (1)
Thomas Schmitt	—	—	8,334	519,208
Michael J. Morris	—	—	4,257	249,549
Matthew J. Jewell	—	—	2,548	155,292
Chris C. Ruble	7,926	516,141	2,548	155,292
Michael L. Hance	4,407	305,405	2,548	155,292

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2019 with respect to shares of our Common Stock that may be issued under the following existing equity compensation plans: the Stock Incentive Plan, the Omnibus Plan, the Non-Employee Director Stock Option Plan (the "NED Plan"), the 2000 Non-Employee Director Award (the "2000 NED Award"), the ESPP and the Amended Plan. Our shareholders have approved each of these plans.

Equity Compensation Plan Information			
Plan Category	Number of Securities to be Issued upon Exercise or Vesting of Outstanding/Unvested Shares, Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(1)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans(2)
Equity Compensation Plans Approved by Shareholders	790,585	53.33	2,099,249
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	790,585	53.33	2,099,249

- (1) Excludes purchase rights accruing under the ESPP, which has an original shareholder-approved reserve of 500,000 shares. Under the ESPP, each eligible employee may purchase up to 2,000 shares of Common Stock at semi-annual intervals each year at a purchase price per share equal to 90.0% of the lower of the fair market value of the Common Stock at the close of (i) the first trading day of an option period or (ii) the last trading day of an option period.
- (2) Includes shares available for future issuance under the ESPP. As of December 31, 2019, an aggregate of 350,492 shares of Common Stock were available for issuance under the ESPP.

Employment Agreement with Thomas Schmitt

On June 6, 2018, the Company entered into an employment agreement with Mr. Schmitt (for purposes of this section, the “employment agreement”). Under the employment agreement, Mr. Schmitt’s compensation will consist of an initial base salary of \$800,000 and an annual target bonus set at 100% of base salary, with a maximum possible bonus of 200% of base salary. Mr. Schmitt will receive a signing bonus of \$413,000 (which is subject to increase if the effective date occurs after September 1, 2018) and 25,000 restricted shares of Company common stock, which will vest equally on each of the first, second and third anniversaries of the grant date. In addition, the Company will grant Mr. Schmitt options to purchase up to 100,000 shares of Company common stock which options will have an exercise price equal to the closing stock price of the Company’s common stock on the grant date and will vest on each of the first, second, and third anniversaries of the grant date.

In February 2020, provided Mr. Schmitt continues to be employed with the Company, in connection with the Company’s annual equity grants, he will receive an additional equity grant valued at approximately \$1.4 million at the time of the grant which grant will be designed similarly to the design used for other executive employees of the Company. Following 2020, Mr. Schmitt shall continue to participate in the Company’s employee incentive programs, as administered by the Compensation Committee of the Board.

In addition to the employment agreement, Mr. Schmitt entered into the Company’s Restrictive Covenants Agreement and will participate in the Executive Severance Plan. Mr. Schmitt’s entitlement to termination benefits, if any, and his continuing obligations to the Company following any termination will be determined by the Executive Severance Plan and the Restrictive Covenant Agreement.

While the Company does not have employment agreements with any of its other NEOs, the Company did adopt an executive severance and change in control plan, which became effective January 1, 2013, and was amended and restated May 24, 2018, that provides for certain payments to its NEOs in the event of a termination or a change in control. This plan is discussed in greater detail on pages 43-46 of this Proxy Statement under a Section entitled “Potential Payments upon Termination, Change of Control, Death or Disability.”

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Tom Schmitt, our Chief Executive Officer (our “CEO”). The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K. In 2017, to identify the median employee as well as to determine the annual total compensation of our median employee, we took the following steps:

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

- We identified our median employee using this compensation measure, which was consistently applied to all our employees included in the calculation.

We believe there have been no changes that would significantly affect our pay ratio disclosure or our median employee. However, our previously identified median employee was no longer employed as of December 31, 2019. As a result, and as permitted by the regulation, we selected another employee, whose total cash compensation was substantially similar to the original median employee's total compensation, for 2019. After performing an analysis of our employee population, we concluded that there has been no change in our employee population or employee compensation arrangements that we believe would significantly impact the selection of our median employee or our pay ratio disclosure.

For 2019, our last completed fiscal year:

- The annual total compensation of our median employee was \$44,550; and
- Mr. Schmitt's total annual compensation, as set forth in the Summary Compensation Table, was \$1,332,721.

Based on this information, for 2019, the ratio of the annual total compensation of our CEO, to the total compensation of the median employee was 29.9 to 1. As previously disclosed, Mr. Schmitt did not receive an equity grant in 2019 given that he received an equity grant upon his appointment as CEO in September 2018. It is expected that Mr. Schmitt's 2020 compensation will include an equity grant commensurate with his role as our CEO and therefore be meaningfully greater than his compensation in 2019. As such, we expect that the ratio of the annual total compensation of our CEO, to the total compensation of the median employee will be higher in 2020.

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

Under the Employment Agreement with Thomas Schmitt the Company may terminate Mr. Schmitt's employment at any time with or without "cause," as defined in the Severance Plan. Mr. Schmitt also may terminate the Employment Agreement at any time; however, he would not be entitled to any unearned salary, bonus or other benefits (unless he is otherwise providing services to the Company in some capacity) if he does so absent circumstances resulting from a "change of control" as defined in the Severance Plan. The Participation and Restrictive Covenants Agreement also contains non-competition and non-solicitation provisions which apply during his employment and for a period of twelve (12) months following termination of his employment.

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

General Severance Upon Involuntary Termination Absent a Change in Control	Severance Upon Involuntary Termination as of or Within Two Years after a Change in Control
<ul style="list-style-type: none"> a lump sum severance payment in an amount equal to one year of the participant's annualized base salary a pro-rata annual incentive for the fiscal year in which the termination occurs based on actual performance results, reduced by the amount of any annual incentive previously paid to the participant for such fiscal year a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before the termination above the monthly premium payable by active employees under the Company's healthcare plan for similar coverage, multiplied by 12 months access to up to \$20,000 of employer-paid outplacement services for 12 months following termination 	<ul style="list-style-type: none"> a pro-rata target annual incentive amount for the fiscal year in which the termination occurs, reduced by the amount of any annual incentive previously paid to the participant for such fiscal year an amount equal to two times the sum of the participants annual base salary and target annual incentive amount a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before the termination above the monthly premium payable by active employees under the Company's healthcare plan for similar coverage, multiplied by 24 months which they were issued access to up to \$20,000 of employer-paid outplacement services for 12 months following termination

A condition in the Severance Plan is the execution of the Participation and Restrictive Covenants Agreement, which contains a non-competition and non-solicitation agreement with respect to the Company's employees and customers for twelve months following the termination of employment. In addition, any severance benefits payable under the Severance Plan are subject to the execution by the participant of a general release of claims against the Company and certain affiliated persons and entities. The Severance Plan does not provide for any tax gross-up payments to participants. Payments and benefits under the Severance Plan are subject to recovery under any clawback, recovery or recoupment policy.

In addition to the benefits available under the Severance Plan, all of the NEOs are eligible to receive certain other benefits in the event of specific termination of employment, including as a consequence of a change in control. Under the Company's Annual Incentive Plan, any unpaid incentive amounts previously earned under this plan would be payable to any NEO terminated without cause. Under the Stock Incentive Plan, any non-vested restricted shares, options or other forms of equity-based compensation granted prior to 2016 will vest upon a "Change in Control." Beginning with long-term incentive grants made in 2016 made pursuant to either the Stock Incentive Plan or Omnibus Plan, vesting of such awards upon a change in control is double-trigger (i.e., not accelerated unless the awards are not assumed or converted by the acquirer or in the event there is an involuntary termination of employment in connection with or within 24 months after the change in control).

The following table shows the estimated benefits payable to each NEO in the event of termination of employment or change of control of the Company. The amounts shown assume that a termination of employment or a change of control occurs on December 31, 2019. The amounts do not include payments or benefits provided under insurance or other plans that are generally available to all full-time employees.

Name	Termination without Cause (\$)	Death and Disability (\$)	Change of Control (\$)
Thomas Schmitt			
Cash Severance (1)	\$ 1,272,640	\$ 472,640	\$ 3,672,640
Intrinsic Value of Equity (2).....	—	4,448,243	4,448,243
Insurance Benefits (3).....	18,184	—	36,367
Placement Services (4)	20,000	—	20,000
Total.....	1,310,824	4,920,883	8,177,250
Michael J. Morris			
Cash Severance (1)	665,326	203,326	1,820,326
Intrinsic Value of Equity (2).....	—	1,240,603	1,453,368
Insurance Benefits (3).....	25,008	—	50,017
Placement Services (4)	20,000	—	20,000
Total.....	710,334	1,443,929	3,343,711
Matthew J. Jewell			
Cash Severance (1)	739,064	247,064	1,969,064
Intrinsic Value of Equity (2).....	—	1,118,447	1,271,148
Insurance Benefits (3).....	25,008	—	50,017
Placement Services (4)	20,000	—	20,000
Total.....	784,072	1,365,511	3,310,229
Chris C. Ruble			
Cash Severance (1)	801,752	241,752	2,201,752
Intrinsic Value of Equity (2).....	—	1,204,696	1,399,786
Insurance Benefits (3).....	9,360	—	18,720
Placement Services (4)	20,000	—	20,000
Total.....	831,112	1,446,448	3,640,258
Michael L. Hance			
Cash Severance (1)	582,633	177,633	1,595,133
Intrinsic Value of Equity (2).....	—	1,118,447	1,271,148
Insurance Benefits (3).....	25,008	—	50,017
Placement Services (4)	20,000	—	20,000
Total.....	627,641	1,296,080	2,936,298

- (1) Cash severance includes: (1) unpaid cash incentives earned as of December 31, 2019, (2) base salary for one year if terminated without cause, or base salary for two years if terminated within 2 years following a Change of Control, and (3) in the event of termination within 2 years following a Change of Control, payment in the amount of two times the target annual cash incentive amount determined as of the termination date.
- (2) In the event of termination due to death or disability, the amount includes (1) the unvested restricted shares valued at the market price of our common stock on December 31, 2019 (\$69.95), (2) the unvested stock option awards multiplied by the excess, if any, of the market price of our common stock on December 31, 2019 (\$69.95) over the exercise price, and (3) the unvested performance shares, calculated as the target number of performance shares specified in each grant multiplied by the percentage of months of service completed in the full performance period, multiplied by the market price of our common stock on December 31, 2019 (\$69.95). In the event of termination due to a Change of Control, the amount includes (1) the unvested restricted shares valued at the market price of our common stock on December 31, 2019 (\$69.95), (2) the unvested stock option awards multiplied by the excess, if any, of the market price of our common stock on December 31, 2019 (\$69.95) over

the exercise price, and (3) the greater of (x) 100% of the target number of unvested performance shares specified on the grant notice or (y) the number of performance shares that otherwise would have become vested as of the vesting date, based on the TSR multiplier attained as of the date of termination, shall become vested performance shares valued at the market price of our common stock on December 31, 2019 (\$69.95). For purposes of calculating the Change of Control amount, we assume that 100% of the target number of unvested performance shares is greater than the number of shares that would have become vested based on the TSR multiplier as of the date of termination.

- (3) Participants are entitled to a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before termination above the monthly premium payable by active employees under the Company's healthcare plan for similar coverage, multiplied by 12 months if the termination date is prior to or absent a Change of Control, or by 24 months if the termination date is on or within two years following a Change of Control.
- (4) Participants are entitled to access to up to \$20,000 of employer-paid outplacement services for 12 months following termination.

Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the 2019 Annual Report with management and the Company's independent registered public accounting firm, Ernst & Young LLP, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee's function is more fully described in its charter, which is available through the Investors—Governance link on the Company's website, www.forwardaircorp.com.

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

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

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

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended December 31, 2019 with the Company's management and has discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standard No. 1301, as amended, and as adopted by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee also discussed with Ernst & Young LLP its independence from management and the Company, and received Ernst & Young LLP's written disclosures and letter pursuant to applicable requirements of the PCAOB regarding the independent accountant's communication with the Audit Committee concerning independence. The Audit Committee further considered the compatibility of the non-audit services with maintaining Ernst & Young LLP's independence. Ernst & Young LLP has served as the Company's independent registered public accountant since 1991, and Ernst & Young LLP's current lead audit partner was selected in 2017.

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

Based on these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for filing with the SEC.

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

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

Independent Registered Public Accounting Firm

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the 2019 fiscal year, subject to ratification of the appointment by the shareholders of the Company. The fees billed by Ernst & Young LLP for services rendered to the Company and its subsidiaries in 2019 and 2018 were as follows:

	2019	2018
Audit Fees (1)(2).....	\$ 2,330,000	\$ 1,847,000
Audit Related Fees (3)	—	—
Tax Fees (3)	452,629	622,500
All Other Fees (3)	—	—

- (1) Includes fees and expenses related to the audit and interim reviews of the Company's financial statements and the audit of the effectiveness of the Company's internal controls over financial reporting for the fiscal year notwithstanding when the fees and expenses were billed or when the services were rendered.
- (2) Increase in fees and expenses in 2019 resulted from changes in segment reporting, acquisition activity and testing for a new software system.
- (3) Includes fees and expenses for services rendered from January through December of the fiscal year notwithstanding when the fees and expenses were billed.

Pre-Approval Policies and Procedures

The Audit Committee adopted a policy that requires advance approval of all audit, audit-related, tax services and other services performed by the independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. The Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. During 2019 and as of the date of this Proxy Statement, the Audit Committee pre-approved all of these services.

In February 2019, the Audit Committee delegated to the Chair of the Audit Committee the authority to pre-approve all services obtained from the independent registered public accounting firm up to \$50,000.

PROPOSAL 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2019 FISCAL YEAR

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the 2020 fiscal year. As in the past, the Board has determined that it is in the best interest of the Company and its shareholders to request ratification of the appointment by the shareholders of the Company. If the shareholders do not ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider the appointment of the independent registered public accounting firm for the 2020 fiscal year.

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

Shareholder Vote Requirement

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

Recommendation of the Board

The Board believes the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2020 fiscal year is in the best interest of the Company's shareholders and recommends that shareholders vote FOR ratification of appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the 2020 fiscal year.

PROPOSAL 3 – ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

Introduction

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

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

We urge you to read the Compensation Discussion and Analysis section of this Proxy Statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2019 compensation of our NEOs.

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

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

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

Shareholder Vote Requirement

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

Recommendation of the Board

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

OTHER MATTERS

Additional Meeting Matters

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

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act and the disclosure requirements of Item 405 of Regulation S-K require the directors and executive officers of the Company, and any persons holding more than 10% of any class of equity securities of the Company, to report their ownership of such equity securities and any subsequent changes in that ownership to the SEC, Nasdaq and the Company. Based solely on a review of the reports that have been filed by or on behalf of such persons in this regard and written representations from our directors and NEOs, we believe that one late ownership report by each of Michael Morris, Chris Ruble and C. Robert Campbell, each disclosing one late transaction, were not timely filed during 2019.

Shareholder Proposals for the 2021 Annual Meeting of Shareholders

Any proposal intended to be presented for action at the 2021 Annual Meeting of Shareholders by any shareholder of the Company must be received by the Secretary of the Company at its principal executive offices not later than December 3, 2020 in order for such proposal to be considered for inclusion in the Company's proxy statement and form of proxy relating to its 2021 Annual Meeting of Shareholders. Nothing in this paragraph shall be deemed to require the Company to include any shareholder proposal which does not meet all the requirements for such inclusion established by Rule 14a-8 of the Exchange Act.

For other shareholder proposals to be timely (but not considered for inclusion in the proxy statement for the 2021 Annual Meeting of Shareholders), a shareholder's notice must be received by the Secretary of the Company between January 13, 2021 and February 12, 2021 and the proposal and the shareholder must comply with Rule 14a-4 under the Exchange Act. In the event that a shareholder proposal intended to be presented for action at the next Annual Meeting is not received prior to February 13, 2021, proxies solicited by the Board in connection with the Annual Meeting will be permitted to use their discretionary voting authority with respect to the proposal, whether or not the proposal is discussed in the proxy statement for the Annual Meeting.

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

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this Notice of 2020 Annual Meeting of Shareholders, Proxy Statement and 2020 Annual Report may have been sent to multiple shareholders in your household, unless the Company has received contrary instructions from one or more shareholders. We will promptly deliver a separate copy of each document to you if you write the Company's Secretary at Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745, or call (423) 636-7000. If you want to receive separate copies of the Notice of 2020 Annual Meeting of Shareholders, Proxy Statement and 2020 Annual Report in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or, if the shares are not held in "street name," you may contact the Company at the above address and phone number.

Shareholder Communications

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

Miscellaneous

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

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 is included within the Annual Report provided with this Proxy Statement. The Annual Report does not constitute a part of the proxy solicitation material. Copies of exhibits filed with the Form 10-K are available, free of charge, upon written request. Requests should be made in writing to Michael L. Hance, Secretary of the Company, at Forward Air Corporation, 1915 Snapps Ferry Road, Building N, Greeneville, Tennessee 37745. The Company's filings with the SEC are also available, without charge, through the Investors—SEC Filings link on the Company's website, www.forwardaircorp.com, as soon as reasonably practical after filing.

By Order of the Board of Directors,



Michael L. Hance
Chief Legal Officer and Secretary

*Greeneville, Tennessee
April 2, 2020*

**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, 2019
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 Snanns 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 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 \$1,635,989,687 as of June 30, 2019.

The number of shares outstanding of the Registrant’s common stock (as of February 14, 2020): 28,138,584.

Documents Incorporated By Reference

Portions of the proxy statement for the 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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Introductory Note

This Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (this “Form 10-K”) contains “forward-looking statements,” as defined in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. In this Form 10-K, forward-looking statements include, but are not limited to, any projections of earnings, revenues, payment of dividends, other financial items or related accounting treatment, or cost reduction measures; any statement regarding the availability of cash; any statement of plans, strategies, and objectives of management for future operations; any statements regarding future insurance, claims and litigation; 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 environmental initiatives and any statements of belief and any statements of assumptions underlying any of the foregoing. Some forward-looking statements may be identified by use of such terms as “believes,” “anticipates,” “intends,” “plans,” “estimates,” “projects” or “expects.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our ability to manage our growth and ability to grow, in part, through acquisitions, while being able to successfully integrate such acquisitions, 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 independent owner-operators 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 is a leading asset-light freight and logistics company. We provide less-than-truckload (“LTL”), final mile, truckload, intermodal drayage and pool distribution 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”.

Services Provided

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

Effective September 1, 2018, Thomas Schmitt was named the Company's President and Chief Executive Officer. Mr. Schmitt is the Company's Chief Operating Decision Maker ("CODM") and is primarily responsible for allocating resources to and assessing the performance of the Company's segments. As a result of this change in leadership, the Company revisited its strategy, and in the fourth quarter of 2019, we consolidated our Truckload Premium Services operations into our Expedited Freight network operations. This allowed Expedited Freight to diversify its revenues while simultaneously enhancing its owner-operator and brokerage relationships, which has lowered Expedited Freight's linehaul and overall unit costs. Due to this change in leadership and the implementation of a new strategy, management determined that a change in the Company's reportable segments had occurred.

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, 2019, Expedited Freight accounted for 70% 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 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, 2019, Intermodal accounted for 15% of our consolidated revenue.

Pool Distribution. We provide high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. We offer this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States. During the year ended December 31, 2019, Pool Distribution accounted for 15% 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.* We believe we can increase freight volumes and revenues by offering new and enhanced services that address more of our customers' premium transportation needs. In the past few years, we have added or enhanced LTL pickup and delivery, 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. We also believe we can increase freight volumes by providing services to customers like third-party logistics companies and international freight forwarders that have historically represented a small percentage of our customer base and by opening new terminals in underpenetrated markets away from airport locations.
- *Pursue Strategic Acquisitions.* We continue to evaluate and pursue acquisitions that can increase our penetration of a geographic area; add new customers, business verticals and services; and increase freight volume. For example, we acquired Central States Trucking Co. ("CST") in 2014, which created the foundation for what is

now our Intermodal segment. Since our acquisition of CST in 2014, we have completed nine additional intermodal acquisitions including O.S.T. Trucking, Inc. and O.S.T. Logistics Inc. (collectively, "O.S.T."), which we closed in July 2019. We also acquired FSA Network, Inc. ("FSA") in April 2019, which expanded and enhanced our final mile footprint. In addition, in December 2019 we signed an agreement to acquire Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, "Linn Star"), which we closed in January 2020. The acquisition of Linn Star expands our final mile footprint to an additional 20 locations.

- *Enhance Information Systems.* We are committed to the development and enhancement of our information systems in order to provide us competitive service advantages and increased productivity. We believe our information systems have and will assist us in capitalizing on new business opportunities with existing and new customers.

Operations

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

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 2019, approximately 32% of the freight handled by our LTL network was for overnight delivery, approximately 55% 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 network was approximately 48.6 million pounds per week in 2019. During 2019, our average shipment weighed approximately 621 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 generally does not market its services directly to shippers (where such services might compete with our freight and logistics intermediary customers). 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 2005.

Year	Average Weekly Volume in Pounds (In millions)
2005	31.2
2006	32.2
2007	32.8
2008	34.2
2009	28.5
2010	32.6
2011	34.0
2012	34.9
2013	35.4
2014	37.4
2015	47.2
2016	46.5
2017	49.5
2018	50.2
2019	48.6

Transportation

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

We seek to establish long-term relationships with owner-operators to assure dependable service and availability. We believe Expedited Freight has experienced significantly higher average retention of owner-operators 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 owner-operators. To enhance our relationship with the owner-operators, Expedited Freight seeks to pay rates that are generally above prevailing market rates and our owner-operators often are able to negotiate a consistent work schedule for their drivers. Usually, owner-operators negotiate schedules for their drivers that are between the same two cities or along a consistent route, improving quality of work life for the drivers of our owner-operators and, in turn, increasing the retention rate of owner-operators.

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 \$562.8 million incurred for Expedited Freight's transportation during 2019, we purchased 45% from the owner-operators of our licensed motor carrier, 7% from our company fleet and 48% 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 and acquisition of Linn Star in January 2020, Expedited Freight significantly expanded its final mile geographic footprint and now operates in 83

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.

In the fourth quarter of 2019, we consolidated our Truckload Premium Services operations into our Expedited Freight network operations. This allowed Expedited Freight to diversify its revenues while simultaneously enhancing its owner-operator and brokerage relationships, which has lowered Expedited Freight's linehaul and overall unit costs. As a result of this consolidation, Expedited Freight offers 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 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 2019, Expedited Freight's ten largest customers accounted for approximately 36% of its operating revenue and had no customers with revenue greater than 10% of Expedited Freight operating revenue for 2019. No single customer accounted for more than 10% of our consolidated revenue.

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 21 locations primarily in the Midwest and Southeast, with a smaller operational presence in the Southwest United States.

Transportation

Intermodal utilizes a mix of Company-employed drivers, owner-operators and third-party carriers. During 2019, approximately 73% of Intermodal's direct transportation expenses were provided by owner-operators, 25% by Company-employed drivers, and 2% 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 2019, Intermodal's ten largest customers accounted for approximately 31% of its operating revenue and had no customers with revenue greater than 10% of Intermodal operating revenue for 2019. No single customer accounted for more than 10% of our consolidated revenue.

Pool Distribution

Overview

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

Transportation

Pool Distribution provides transportation services through a mix of Company-employed drivers, owner-operators and third-party carriers. The mix of sources utilized to provide Pool transportation services is dependent on the individual markets and related customer routes. During 2019, approximately 36% of Pool's direct transportation expenses were provided by third-party carriers, 34% by owner-operators and 30% was provided by Company-employed drivers.

Customers

Pool Distribution's customer base is primarily composed of national and regional retailers and distributors. Pool's ten largest customers accounted for approximately 78% of Pool Distribution's 2019 operating revenue and had three customers with revenue greater than 10% of Pool Distribution's 2019 operating revenue. No single customer accounted for more than 10% of our consolidated revenue.

Competition

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

Our Expedited 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. Our Pool Distribution segment primarily competes with other national and regional truckload carriers.

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. 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 faster, more reliable service while offering greater shipment visibility and security. Additionally, we believe our Intermodal segment is one of the leading providers of drayage and related services in North America today. We believe that our presence in several regions across the continental United States enables our Pool Distribution segment to provide consistent, high-quality service to our customers regardless of location, which is a competitive advantage over other pool distribution providers.

Marketing

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

Seasonality

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

Employees and Equipment

As of December 31, 2019, we had 4,640 full-time employees, 2,014 of whom were freight handlers. Also, as of that date, we had an additional 840 part-time employees, of whom the majority were freight handlers. None of our employees are covered by a collective bargaining agreement. We recognize that our workforce, including our freight handlers, is one of our most valuable assets. The recruitment, training and retention of qualified employees are essential to support our continued growth and to meet the service requirements of our customers.

We manage a trailer pool that is utilized by all of our reportable segments to move freight through our networks. Our trailer pool includes dry van, refrigerated and roller-bed trailers, and substantially all of our trailers are 53 feet long. We own the majority of the trailers we use, but we supplement at times with leased trailers. As of December 31, 2019, we had 6,709 owned trailers in our fleet with an average age of approximately 4.4 years. In addition, as of December 31, 2019, we also had 469 leased trailers in our fleet. As of December 31, 2019, we had 426 owned tractors and straight trucks in our fleet, with an average age of approximately 6.6 years. In addition, as of December 31, 2019, we also had 927 leased tractors and straight trucks in our fleet.

Environmental Protection and Community Support

Forward Air is committed to protecting the environment and we have taken a variety of steps to improve the sustainability of our operations. We are implementing new practices and technologies, improving our training, and incorporating sustainability objectives in our growth strategies. Our initiatives will be focused on reducing overall waste, electricity consumption and carbon emissions, while working to increase employee engagement and community involvement.

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

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

In addition, we are a corporate partner of Truckers Against Trafficking, a nonprofit organization that educates, equips, empowers and mobilizes members of the trucking and bus industries to combat human trafficking. On Veteran's Day 2019, Forward Air also launched Operation: Forward Freedom - providing support to our Veterans primarily through partnering with Hope for the Warriors. Hope for the Warriors is a nonprofit organization that is dedicated to restoring a sense of self, family and hope to United States military veterans. This is an important cause for us as many of our employees, independent contractors, customers and vendors are or have a family member who is a military veteran.

Finally, we joined Women in Trucking in November 2019. Women in Trucking is a nonprofit organization, supporting and celebrating women in the trucking industry. We recognize the value in describing our sustainability focus and will continue to update our future disclosures accordingly. We are committed to making our presence count across the country.

Risk Management and Litigation

Under U.S. Department of Transportation ("DOT") regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. Additionally, from time to time, the drivers employed and engaged by the third-party transportation carriers we contract with are involved in accidents, which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees, all of these drivers are employees, owner-operators, or independent contractors working for carriers and, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them.

We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention ("SIR") of \$3.0 million per occurrence for vehicle and general liability claims and will be responsible for any damages and personal injuries below that self-insured amount. We are also responsible for varying annual aggregate deductible amounts of liability for claims in excess of the SIR/deductible. For the policy year that began October 1, 2019, we

have an annual \$6.0 million aggregate deductible for claims between \$3.0 million and \$5.0 million. We also have a \$2.5 million aggregate deductible for claims between \$5.0 million and \$10.0 million. As a result, we are responsible for the first \$7.5 million per claim, until we meet the \$6.0 million aggregate deductible for claims between \$3.0 million and \$5.0 million and the \$2.5 million aggregate deductible for claims between \$5.0 million and \$10.0 million. We cannot guarantee that our SIR levels will not increase and/or that we have to agree to more unfavorable policy terms as a result of market conditions, poor claims experience or other factors. This insurance covers vehicle liability and general liability claims for the Expedited Freight, excluding its truckload operation, and Pool Distribution segments. Truckload maintains separate liability insurance coverage for claims between \$0 and \$5.0 million, and for the policy year that began April 1, 2019, truckload had no SIR for claims in this layer. Intermodal maintains separate liability insurance coverage for all liability claims. For the policy year that began April 1, 2019, Intermodal had an SIR of less than \$0.1 million for each claim. We also maintain separate brokerage liability insurance coverage to cover third-party claims for damages and personal injuries arising from accidents with drivers employed and engaged by third-party transportation carriers, and this policy covering our Expedited LTL and Pool Distribution segments has an SIR of \$0.1 million for each claim.

We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a SIR of approximately \$0.4 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.5 million SIR. 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 but not limited to the DOT, the Federal Motor Carrier Safety Administration, under the DOT, manages a Compliance, Safety, Accountability initiative ("CSA") as well as electronic logging devices in commercial motor vehicles, and that states' jurisdiction with respect to the regulation of operations safety and insurance. 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 would introduce 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 federal trademark registrations or applications for federal trademark registration, associated with the following service marks: Forward Air, Inc.®, North America's Most Complete Roadfeeder Network®, Keeping Your Business Moving Forward®, Forward Air®, Forward Air Complete®, PROUD®, Total Quality, Inc.®, TQI, Inc.®, TQI®, Central States Trucking Co.®, First in "Last Mile" Home Delivery®, FSA Logistix®, FSA Logistix A Final Mile Company®, FSA Network, Inc.®, Forward CST Because it matters, think ForwardSM, Forward LTL Because it matters, think ForwardSM, Final Forward Mile Because it matters, think ForwardSM, Forward Truckload Services Because it matters, think ForwardSM, and Forward Solutions Because it matters, think ForwardSM. These marks are of significant value to our business.

Available Information

We file reports with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, 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.

Information About our Executive Officers

The current executive officers of the Company, as of February 24, 2020 are listed below. The ages listed below are as of December 31, 2019.

The following are our executive officers:

Name	Age	Position
Thomas Schmitt	54	President Chief Executive Officer and Executive Chairman
Michael J. Morris	51	Chief Financial Officer and Treasurer
Michael L. Hance	48	Chief Legal Officer & Secretary
Chris C. Ruble	57	Chief Operating Officer
Matthew J. Jewell	53	Chief Commercial Officer

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

Thomas Schmitt has served as President, Chief Executive Officer and director since September 2018 and was elected Chairman of the Board in May 2019. Prior to joining Forward Air, Mr. Schmitt served as Management Board Member and Chief Commercial Officer for DB Schenker, a Global Logistics Company from June 2015 to July 2018. From January 2013 to April 2015, Mr. Schmitt was President, CEO and Director of Aqua Terra, a Canadian provider of natural spring water. From 2010 to 2012, Mr. Schmitt served as President, CEO and Director of Purolator, a Canadian parcel and freight transportation company. Prior to joining Purolator, Mr. Schmitt spent 12 years at FedEx in Memphis, TN where he served as CEO of FedEx Supply Chain and SVP of FedEx Solutions. Prior to his time with FedEx, Mr. Schmitt held senior roles at McKinsey &

Company. Mr. Schmitt has been a member of the Xynteo Leadership board since 2018 and a Non-Executive Director of the Ferguson Plc board since February 2019. Mr. Schmitt also served on the board of directors of Dicom Transportation Group from January 2014 to June 2018, Zooplus AG, from June 2013 to May 2016, Univar, Inc., from July 2008 to June 2013 and Cyberport GmbH since June 2015.

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

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

Chris C. Ruble has served as Chief Operating Officer for the entire Company since May 2019. Mr. Ruble was Chief Operating Officer for the Company’s Expedited Freight, TLS (now part of Expedited Freight) and Pool Distribution segments from June 2018 to May 2019. Prior to this role, Mr. Ruble was President, Expedited Services from January 2016 to June 2018, Executive Vice President, Operations from August 2007 to January 2016, and Senior Vice President, Operations from October 2001 until August 2007. He was a Regional Vice President from September 1997 to October 2001 and a regional manager from February 1997 to September 1997, after starting with the Company as a terminal manager in January 1996. From June 1986 to August 1995, Mr. Ruble served in various management capacities at Roadway Package System, Inc.

Matthew J. Jewell has served as Chief Commercial Officer since May 2019. Mr. Jewell was President, Intermodal from June 2018 to May 2019, President, Logistics Services from January 2016 to June 2018, Executive Vice President, Intermodal Services & Chief Strategy Officer from May 2014 to January 2016, and Executive Vice President and Chief Legal Officer from January 2008 until May 2014. From July 2002 until January 2008, he served as Senior Vice President and General Counsel. In October 2002, he was also appointed Secretary. From July 2002 until May 2004, Mr. Jewell was also the Senior Vice President, General Counsel and Secretary of Landair Corporation. From January 2000 until joining us in July 2002, Mr. Jewell was a partner with the law firm of Austin & Sparks, P.C. Mr. Jewell was an associate at Dennis, Corry & Porter, L.L.P. from July 1991 to December 1998 and a partner from January 1999 to January 2000.

Other information required by this item is incorporated herein by reference to our proxy statement for the 2020 Annual Meeting of Shareholders (the “2020 Proxy Statement”). The 2020 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2019.

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.

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, 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.

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

Our growth strategy includes increasing freight volume from existing customers, expanding our service offerings and pursuing strategic transactions. Our growth plans will place significant demands on our management and operating personnel. Our ability to manage our future growth effectively will require us to, among other things, regularly enhance our operating and

management information systems, evaluate and change our service offerings and continue to attract, retain, train, motivate and manage key employees, including through training and development programs. If we are unable to manage our growth effectively, our business, results of operations and financial condition may be adversely affected.

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

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

- identification of appropriate acquisition candidates;
- negotiation of acquisitions on favorable terms and valuations;
- integration of acquired businesses and personnel;
- integration of information technology systems;
- implementation of proper business and accounting controls;
- ability to obtain financing, at favorable terms or at all;
- diversion of management attention;
- retention of employees and customers;
- non-employee driver attrition;
- unexpected liabilities;
- detrimental issues not discovered during due diligence.

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

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

We depend on owner-operators for most of our transportation needs. In 2019, owner-operators provided 56.1% of our purchased transportation. Competition for owner-operators is intense, and sometimes there are shortages of available owner-operators. In addition, a decline in the availability of trucks, tractors and trailers for owner-operator purchase or use may negatively affect our ability to hire, attract or retain available owner-operators. We also need a large number of freight handlers to operate our business efficiently. During periods of low unemployment in the areas where our terminals are located, we may have difficulty hiring and retaining a sufficient number of freight handlers. If we have difficulty attracting and retaining enough qualified freight handlers and owner-operators, we may be forced to increase wages and benefits or to increase the cost at which we contract with our owner-operators, either of which would increase our operating costs. This difficulty may also impede our ability to maintain our delivery schedules, which could make our service less competitive and force us to curtail our planned growth. A capacity deficit may lead to a loss of customers and a decline in the volume of freight we receive from customers.

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

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

At times, the Internal Revenue Service, the Department of Labor and state authorities have asserted that owner-operators are “employees,” rather than “independent contractors.” Additionally, we are aware of certain judicial decisions and legislative proposals that could bring about major reforms in the classification of workers, including the California legislature’s recent 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 recent passage of California AB 5, there is no guidance from regulatory authorities, and 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 independent owner-operators are employees rather than independent contractors could expose us to various liabilities and additional ongoing expenses, including but not limited to, employment-related expenses such as workers’ compensation insurance coverage and reimbursement of work-related expenses. Our exposure could include prior period compensation, as well as potential liability for employee benefits and tax withholdings. In addition, 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.

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 global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and electrical outages in the past. While we take measures to ensure our major systems have redundant capabilities, our systems are susceptible to outages from fire, floods, power loss, telecommunications failures, data leakage, human error, break-ins, cyber-attacks and similar events. 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.

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, 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,
- 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 a cybersecurity event occurs, 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.

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.

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

One element of our growth strategy is to expand our service offerings to customers. As a result, we have added additional services in the past few years. We may not succeed in making our customers sufficiently aware of existing and future services or in creating customer acceptance of these services at the prices we would want to charge. In addition, we may be required to devote substantial resources to educate our customers, with no assurance that a sufficient number of customers will use our services for commercial success to be achieved. We may not identify trends correctly, or may not be able to bring new services to market as quickly, effectively or price-competitively as our competitors. In addition, new services may alienate existing customers or cause us to lose business to our competitors. If any of the foregoing occurs, it could have a material adverse effect on our results of operations.

For example, we have in recent years expanded our "final mile" service offering through the acquisition of the assets of FSA and Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, "Linn Star"). This is a difficult to serve market and we face competition in this market from competitors that have operated in this market for several years, which may hinder our ability to compete and gain market share.

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

Under DOT regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. Additionally, from time to time, the drivers employed and engaged by the third-party transportation carriers we contract with are involved in accidents, which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not our employees and all of these drivers are employees, owner-operators, or independent contractors working for carriers, from time to time, claims may be asserted against us for their actions, or for our actions in retaining them.

We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention ("SIR") of \$3.0 million per occurrence for vehicle and general liability claims and will be responsible for any damages and personal injuries below that self-insured amount. We are also responsible for varying annual aggregate deductible amounts of liability for claims in excess of the SIR/deductible. For the policy year that began April 1, 2019, we have an annual \$6.0 million aggregate deductible for claims between \$3.0 million and \$5.0 million. We also have a \$2.5 million aggregate deductible for claims between \$5.0 million and \$10.0 million. As a result, we are responsible for the first \$7.5 million per claim, until we meet the \$6.0 million aggregate deductible for claims between \$3.0 million and \$5.0 million and the \$2.5 million aggregate deductible for claims between \$5.0 million and \$10.0 million. This insurance covers claims for the Expedited Freight, excluding its truckload operation, and Pool Distribution segments. Truckload maintains separate liability insurance coverage for claims between \$0 and \$5.0 million, and for the policy year that began April 1, 2019, truckload had no SIR for claims in this layer. Intermodal maintains separate liability insurance coverage for all liability claims. For the policy year that began April 1, 2019, Intermodal had an SIR of \$50 thousand for each claim. We cannot guarantee that our SIR levels will not increase and/or that we have to agree to more unfavorable policy terms as a result of market conditions, poor claims experience or other factors.

We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a SIR of approximately \$0.4 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.5 million SIR. 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, 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. Any increase in frequency or severity of claims, or any increases to then-existing reserves, could adversely affect our financial condition and results of operations. 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. 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.

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.

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, 2019, our top 10 customers, based on revenue, accounted for approximately 29% of our revenue. Our Expedited Freight and Intermodal segments typically do not have long-term contracts with their customers. While our Pool Distribution segment business may involve a long-term written contract, those contracts

may contain cancellation clauses, and there is no assurance that our current customers will continue to utilize our services or continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a material adverse effect on our business and operating results.

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

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

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 \$127.8 million of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2019. 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 \$221.1 million on our consolidated balance sheet at December 31, 2019. Goodwill is assessed for impairment annually (or more frequently if circumstances indicate possible impairment) for each of our reporting units. This assessment includes comparing the fair value of each reporting unit to the carrying value of the assets assigned to each reporting unit. If the carrying value of the reporting unit was to exceed our estimated fair value of the reporting unit, we would then be required to estimate the fair value of the individual assets and liabilities within the reporting

unit to ascertain the amount of fair value of goodwill and any potential impairment. If we determine that our fair value of goodwill is less than the related book value, we could be required to record a non-cash impairment charge to our consolidated statement of comprehensive income, which could have a material adverse effect on our earnings.

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

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

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 NAFTA and any successor agreement. 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 Federal Motor Carrier Safety Administration (“FMCSA”) established the Compliance Safety Accountability (“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 hours of service (“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 will require 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, 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 owner-operators or third-party carriers, meet our growth projections and maintain our customer relationships, each of which could adversely impact our results of operations.

The FMCSA’s Compliance, Safety, Accountability initiative (“CSA”) is an enforcement and compliance program designed to monitor and improve commercial motor vehicle safety by measuring the safety record of both the motor carrier and the driver. These measurements are scored and used by the FMCSA to identify potential safety risks and to direct enforcement

action. CSA scores are dependent upon safety and compliance experience, which could change at any time. In addition, the safety standards prescribed in CSA could change and our ability as well as our independent contractors' ability to maintain an acceptable score could be adversely impacted. Public disclosure of certain CSA scores was restricted through the enactment of the Fixing America's Surface Transportation Act of 2015 (the "FAST Act") on December 4, 2015; however, the FAST Act does not restrict public disclosure of all data collected by the FMCSA. If we receive unacceptable CSA scores, and this data is made available to the public, our relationships with our customers could be damaged, which could result in a loss of business.

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

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

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

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

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

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

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

Our financing costs may be adversely affected by changes in LIBOR.

In 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced its intention to phase out LIBOR by the end of 2021. We use LIBOR as a reference rate in our revolving credit facility to calculate interest due to our lender. It is unclear if LIBOR will cease to exist at that time or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. If LIBOR ceases to exist, we may need to renegotiate our credit agreement with our lender. This could have an adverse effect on our financing costs.

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 2023. We also lease our executive headquarters in Atlanta, Georgia.

We lease and maintain 146 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 22 cities operated by independent agents who handle freight for us on a commission basis.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Our Common Stock trades on The Nasdaq Global Select Stock Market™ under the symbol "FWRD."

There were approximately 681 shareholders of record of our Common Stock as of January 15, 2020.

Subsequent to December 31, 2019, our Board of Directors declared a cash dividend of \$0.18 per share that will be paid in the first quarter of 2020 to the shareholders on record on March 5, 2020. 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 2019 without registration under the Securities Act.

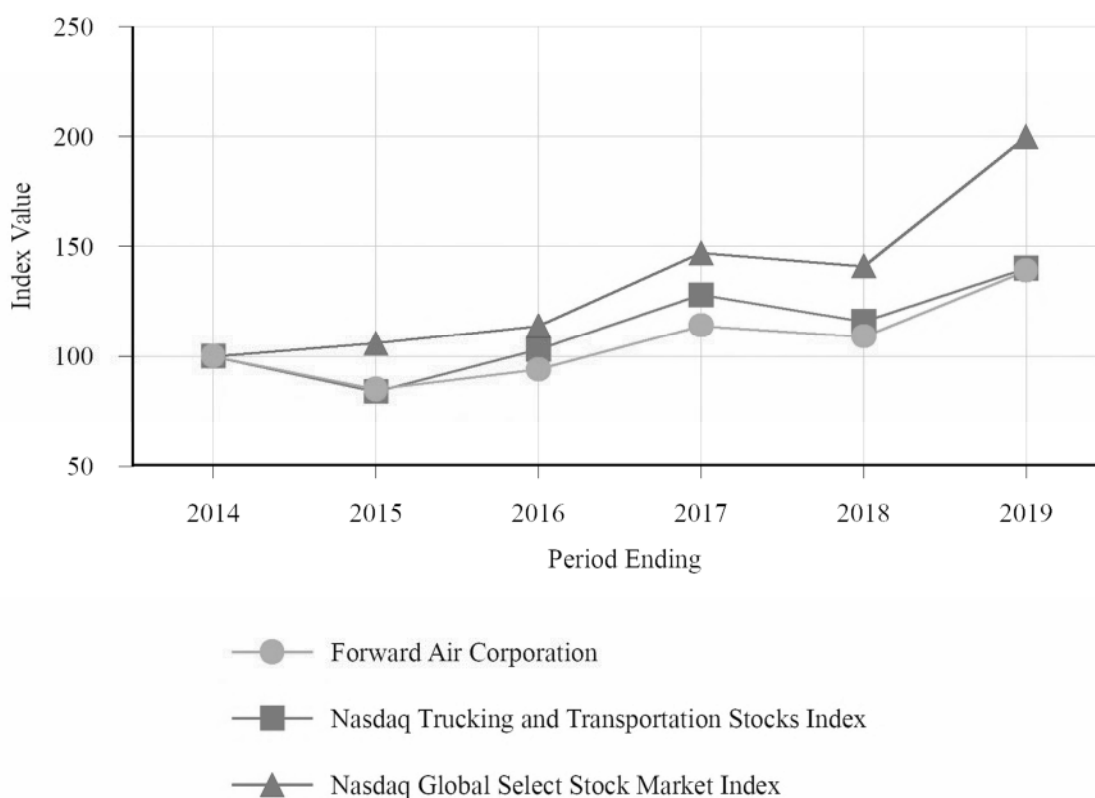
Stock Performance Graph

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 2014 and ending on the last trading day of December 2019. The graph assumes a base investment of \$100 made on December 31, 2014 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



	2014	2015	2016	2017	2018	2019
Forward Air Corporation	\$ 100	\$ 85	\$ 94	\$ 114	\$ 109	\$ 139
Nasdaq Trucking and Transportation Stocks Index	100	84	103	128	116	140
Nasdaq Global Select Stock Market Index	100	106	114	147	141	200

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1-31, 2019	50	\$ 63.6	50	4,229
November 1-30, 2019	35	70.0	35	4,194
December 1-31, 2019	39	69.3	39	4,155
Total	124	\$ 67.2	124	4,155

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

Item 6. Selected Financial Data

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

	Year ended				
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
(In thousands, except per share data)					
Income Statement Data:					
Operating revenue	\$ 1,410,395	\$ 1,320,886	\$ 1,169,346	\$ 1,030,210	\$ 987,894
Income from operations	118,823	122,031	108,757	59,703	81,674
Operating margin ⁽¹⁾	8.4%	9.2%	9.3%	5.8%	8.3%
Net income	87,099	92,051	87,255	27,505	55,516
Net income per share:					
Basic	\$ 3.06	\$ 3.14	\$ 2.90	\$ 0.90	\$ 1.79
Diluted	\$ 3.04	\$ 3.12	\$ 2.89	\$ 0.90	\$ 1.78
Cash dividends declared per common share	\$ 0.72	\$ 0.63	\$ 0.60	\$ 0.51	\$ 0.48
Balance Sheet Data (at end of period):					
Total assets	\$ 990,878	\$ 760,215	\$ 692,622	\$ 644,048	\$ 702,327
Long-term obligations, net of current portion	72,249	47,335	40,588	725	28,856
Shareholders' equity	577,182	553,244	532,699	498,344	509,497

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

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

Overview and Executive Summary

Effective September 1, 2018, Thomas Schmitt was named the Company's President and Chief Executive Officer. Mr. Schmitt is the Company's Chief Operating Decision Maker ("CODM") and is primarily responsible for allocating resources to and assessing the performance of the Company's segments. As a result of this change in leadership, the Company revisited its strategy as discussed in Item 1 included in this Form 10-K. Due to this change in leadership and implementation of a new strategy, Management changed how it evaluates and manages the business effective in the fourth quarter of 2019 and classifies our services into three reportable segments: Expedited Freight, Intermodal and Pool Distribution. The results of our previous Expedited LTL and TLS segments have been consolidated into our Expedited Freight segment. This classification is consistent with how the CODM makes decisions about resource allocation and assesses the Company's performance. The Company has recast its financial information and disclosures for the prior periods to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. For financial information relating to each of our business segments, see Note 10, Segment Reporting to our Consolidated Financial Statements.

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, 2019, Expedited Freight accounted for 70.1% 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, 2019, Intermodal accounted for 15.4% of our consolidated revenue.

In our Pool Distribution segment, we provide high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. We offer this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States. During the year ended December 31, 2019, Intermodal accounted for 14.7% 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.

Trends and Developments

Expedited Freight Acquisitions

As part of our strategy to expand our final mile pickup and delivery operations, in April 2019, we acquired certain assets of FSA for \$27.0 million in cash and additional contingent consideration ("earnout") based upon future revenue generation. The earnout opportunity is \$15.0 million and had a fair value of \$11.8 million as of December 31, 2019. This acquisition provides an opportunity for our Expedited Freight segment to expand its final mile service offering into additional geographic markets, form relationships with new customers, and add volumes to our existing locations. The assets, liabilities, and operating results of this acquisition have been included in the Company's consolidated financial statements from the date of

acquisition and have been assigned to the Expedited Freight reportable segment. See additional discussion in Note 2, Acquisitions, Goodwill and Other Long-Lived Assets, to our Consolidated Financial Statements.

In addition, in December 2019 we signed an agreement to acquire certain assets of Linn Star for \$57.2 million in cash. This acquisition closed in January 2020. The acquisition of Linn Star expands our final mile footprint to additional 20 locations.

Intermodal Acquisitions

As part of our strategy to expand our Intermodal operations, in July 2018, we acquired certain assets of Multi-Modal Transport Inc. (“MMT”) for \$3.7 million, in October 2018 we acquired certain assets of Southwest Freight Distributors, Inc. (“Southwest”) for \$16.3 million and in July 2019 we acquired certain assets and liabilities of O.S.T. for \$12.0 million. O.S.T. is a drayage company and provides the Intermodal segment with an expanded footprint on the East Coast, with locations in the Pennsylvania, Maryland, Virginia, South Carolina and Georgia markets. These transactions were funded using cash flows from operations and provide an opportunity for our Intermodal segment to expand into additional geographic markets and add volumes to our existing locations. The assets, liabilities, and operating results of these acquisitions have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Intermodal reportable segment.

Results from Fixed Asset Useful Life and Salvage Value Study

The Company evaluates the reasonableness of the useful lives and salvage values of its assets on an ongoing basis. During the third quarter of 2019, the Company identified indicators that the useful lives of its owned tractors and trailers extended beyond initial expectations. As a result, management deemed it appropriate to extend the average useful life of its trailers from seven to ten years and its tractors from five to ten years. In addition, management reduced the salvage value of its tractors from 25% to 10%. No changes were made to trailer salvage values. See additional discussion in Note 2, Acquisitions, Goodwill and Other Long-Lived Assets, to our Consolidated Financial Statements.

These changes in estimates were made to assets currently owned and originally purchased new since assets purchased used were assigned individual useful lives and salvage values based on their age and condition at purchase. This change in estimate was made on a prospective basis beginning on July 1, 2019. The impact of this study on the year ended December 31, 2019 was a \$2.6 million reduction in depreciation.

In addition, during the year ended December 31, 2019, management recorded a \$1.2 million reserve against tractors, which reflected tractors where the expected carrying value exceeded its fair value during the year. This was recorded in other operating expenses in our Consolidated Statements of Comprehensive Income.

Results from Operations

The following table sets forth our consolidated historical financial data for the years ended December 31, 2019 and 2018 (in millions):

	Year ended December 31,			
	2019	2018	Change	Percent Change
		(As Adjusted)		
Operating revenue:				
Expedited Freight	\$ 988.8	\$ 931.1	\$ 57.7	6.2 %
Intermodal	217.7	201.0	16.7	8.3
Pool Distribution	207.4	194.1	13.3	6.9
Eliminations and other operations	(3.5)	(5.3)	1.8	(34.0)
Operating revenue	1,410.4	1,320.9	89.5	6.8
Operating expenses:				
Purchased transportation	639.0	613.6	25.4	4.1
Salaries, wages, and employee benefits	335.2	300.2	35.0	11.7
Operating leases	82.0	75.7	6.3	8.3
Depreciation and amortization	42.1	42.2	(0.1)	(0.2)
Insurance and claims	45.5	35.2	10.3	29.3
Fuel expense	24.2	23.1	1.1	4.8
Other operating expenses	123.6	108.8	14.8	13.6
Total operating expenses	1,291.6	1,198.8	92.8	7.7
Income (loss) from operations:				
Expedited Freight	101.0	101.4	(0.4)	(0.4)
Intermodal	23.7	23.3	0.4	1.7
Pool Distribution	7.3	5.9	1.4	23.7
Other operations	(13.2)	(8.5)	(4.7)	55.3
Income from operations	118.8	122.1	(3.3)	(2.7)
Other expense:				
Interest expense	(2.7)	(1.8)	(0.9)	50.0
Total other expense	(2.7)	(1.8)	(0.9)	50.0
Income before income taxes	116.1	120.3	(4.2)	(3.5)
Income taxes	29.0	28.2	0.8	2.8
Net income and comprehensive income	\$ 87.1	\$ 92.1	\$ (5.0)	(5.4)%

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion above and in Note 10, Segment Reporting to our Consolidated Financial Statements.

Revenues

During the year ended December 31, 2019, revenue increased 6.8% compared to the year ended December 31, 2018. The revenue increase was primarily driven by increased revenue from our Expedited Freight segment of \$57.7 million driven by increased final mile revenue primarily from the acquisition of FSA in April 2019. The Company's other segments also had revenue growth over prior year. Intermodal revenue increased 8.3%, primarily due to the acquisition of OST, and Pool revenue increased 6.9%.

Operating Expenses

Operating expenses increased \$92.8 million primarily driven by purchased transportation increases of \$25.4 million and salaries, wages and employee benefits increases of \$35.0 million. Company-employed drivers are included in salaries, wages and benefits, while purchased transportation includes owner-operators and third-party carriers. Purchased transportation increased primarily due to increased volumes, but decreased as a percentage of revenue due to increased utilization of owner-operators and Company-employed drivers, which are typically less costly than third-party transportation providers. Salaries, wages and employee benefits increased primarily due to additional headcount from acquisitions, increased Company-employed driver utilization and increased personnel needs to support the additional volumes.

Operating Income and Segment Operations

Operating income decreased \$3.3 million, or 2.7%, from the year ended December 31, 2018 to \$118.8 million for the year ended December 31, 2019 primarily driven by a \$4.7 million increase in loss from operations from Other operations due to a \$6.5 million vehicle claims reserve recorded in 2019 for pending vehicular claims. Our Expedited Freight segment operating income decreased \$0.4 million due to lower tonnage, higher insurance premiums and a large vehicle claim reserve, mostly offset by improvements in purchased transportation on increased utilization of owner-operators and Company-employed drivers and contributions from FSA. Our Pool and Intermodal segment saw slight increases. The results for our three reportable segments are discussed in detail in the following sections.

Interest Expense

Interest expense was \$2.7 million for the year ended December 31, 2019 compared to \$1.8 million for the same period in 2018. The increase in interest expense was attributable to additional borrowings on our revolving credit facility.

Income Taxes

The combined federal and state effective tax rate for the year ended December 31, 2019 was 25.0% compared to a rate of 23.4% for the same period in 2018. The higher effective tax rate for the year ended December 31, 2019 was primarily the result of increased executive compensation in the current year, which was not deductible for income tax purposes. This was partly offset by a reduction in taxable income resulting from the reinstatement of the Alternative Fuel Credit by the Internal Revenue Service on December 20, 2019 and the result of increased stock based compensation vesting when compared to the same period in 2018, which was impacted by forfeited performance shares.

Net Income

As a result of the foregoing factors, net income decreased by \$5.0 million, or 5.4%, to \$87.1 million for the year ended December 31, 2019 compared to \$92.1 million for the same period in 2018.

Expedited Freight - Year Ended December 31, 2019 compared to Year Ended December 31, 2018

The following table sets forth our historical financial data of the Expedited Freight segment for the years ended December 31, 2019 and 2018 (in millions):

Expedited Freight Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2019	Percent of Revenue	December 31, 2018 (As Adjusted)	Percent of Revenue	Change	Percent Change
Operating revenue:						
Network ¹	\$ 676.9	68.5%	\$ 677.4	72.8%	\$ (0.5)	(0.1)%
Truckload	184.7	18.7	186.1	20.0	(1.4)	(0.8)
Final Mile	100.6	10.2	39.4	4.2	61.2	155.3
Other	26.6	2.7	28.2	3.0	(1.6)	(5.7)
Total operating revenue	988.8	100.0	931.1	100.0	57.7	6.2
Operating expenses:						
Purchased transportation	502.7	50.8	483.1	51.9	19.6	4.1
Salaries, wages and employee benefits	200.6	20.3	182.9	19.6	17.7	9.7
Operating leases	46.7	4.7	42.0	4.5	4.7	11.2
Depreciation and amortization	27.3	2.8	29.0	3.1	(1.7)	(5.9)
Insurance and claims	23.3	2.4	18.8	2.0	4.5	23.9
Fuel expense	10.2	1.0	9.5	1.0	0.7	7.4
Other operating expenses	77.0	7.8	64.4	6.9	12.6	19.6
Total operating expenses	887.8	89.8	829.7	89.1	58.1	7.0
Income from operations	\$ 101.0	10.2%	\$ 101.4	10.9%	\$ (0.4)	(0.4)%

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

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion above and in Note 10, Segment Reporting to our Consolidated Financial Statements.

Expedited Freight Operating Statistics
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	Year ended		
	December 31, 2019	December 31, 2018 (As Adjusted)	Percent Change
Business days	255	255	—%
Tonnage ^{1,2}			
Total pounds	2,479,291	2,562,205	(3.2)
Pounds per day	9,723	10,048	(3.2)
Shipments ^{1,2}			
Total shipments	3,990	4,173	(4.4)
Shipments per day	15.6	16.4	(4.9)
Weight per shipment	621	614	1.1
Revenue per hundredweight ³	\$ 27.21	\$ 26.15	4.1
Revenue per hundredweight, ex fuel ³	\$ 22.90	\$ 22.09	3.7
Revenue per shipment ³	\$ 171	\$ 163	4.9
Revenue per shipment, ex fuel ³	\$ 144	\$ 138	4.3
Network revenue from door-to-door shipments as a percentage of network revenue ^{3,4}	40.0%	35.3%	13.3
Network gross margin ⁵	55.0%	52.0%	5.8%

¹ In thousands

² Excludes accessorial, full truckload and final mile products

³ Includes intercompany revenue between the Network and Truckload revenue streams

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

⁵ Network revenue less network purchased transportation as a percentage of network revenue

Revenues

Expedited Freight operating revenue increased \$57.7 million, or 6.2%, to \$988.8 million for the year ended December 31, 2019 from \$931.1 million for the same period of 2018. The increase was due to increased final mile revenue of \$61.2 million, partly offset by decreases in other and truckload revenue. Network revenue also had a modest decrease compared to the prior year. Final mile revenue increased primarily due to the acquisition of FSA in April 2019. Other revenue, which includes warehousing and terminal handling, decreased \$1.6 million due to the lower linehaul tonnage and shipment counts. Truckload revenue decreased \$1.4 million due to a 4.0% decrease in average revenue per mile, partly offset by a 0.5% increase in overall miles. The decrease in average revenue per mile was primarily driven by rate pressures from both spot market and contract rate customers.

Network revenue decreased \$0.5 million due to a 4.4% decrease in shipments and a 3.2% decrease in tonnage partly offset by a 4.1% increase in revenue per hundredweight over prior year. The decrease in shipments and tonnage was due to a decrease in legacy airport-to-airport shipments. The increase in revenue per hundredweight was due to increased shipment size and revenue per shipment.

Purchased Transportation

Expedited Freight purchased transportation increased by \$19.6 million, or 4.1%, to \$502.7 million for the year ended December 31, 2019 from \$483.1 million for the year ended December 31, 2018. As a percentage of segment operating revenue, Expedited Freight purchased transportation was 50.8% during the year ended December 31, 2019 compared to 51.9% for the same period of 2018. Expedited Freight purchased transportation includes owner-operators and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. Purchased transportation decreased as a percentage of revenue primarily due to a 300 basis point decrease in Network purchased transportation as a percentage of revenue as linehaul cost per mile decreased on increased utilization of owner-operators and Company-employed drivers over more costly third-party transportation providers. This decrease was offset primarily by an increase in final mile purchased transportation due to the acquisition of FSA and deteriorating truckload purchased transportation due to the previously mentioned revenue rate pressures.

Salaries, Wages, and Benefits

Expedited Freight salaries, wages and employee benefits increased by \$17.7 million, or 9.7%, to \$200.6 million for the year ended December 31, 2019 from \$182.9 million in the same period of 2018. Salaries, wages and employee benefits were 20.3% of Expedited Freight's operating revenue for the year ended December 31, 2019 compared to 19.6% for the same period of 2018. The increase in total dollars and as a percentage of revenue was primarily due to \$14.7 million for additional headcount and employee wages, of which \$12.1 million was due to the acquisition of FSA. An additional \$6.2 million increase was due to increased utilization of Company-employed drivers to fulfill linehaul and local pickup and delivery services. These increases were partly offset by a \$3.9 million decrease of employee incentives.

Operating Leases

Expedited Freight operating leases increased \$4.7 million, or 11.2%, to \$46.7 million for the year ended December 31, 2019 from \$42.0 million for the year ended December 31, 2018. Operating leases were 4.7% of Expedited Freight's operating revenue for the year ended December 31, 2019 compared to 4.5% for the year ended December 31, 2018. The increase in cost was primarily due to a \$2.8 million increase in facility leases mostly from additional facilities acquired from FSA and a \$2.9 million increase in tractor rentals and leases to correspond with the increase in Company-employed driver usage mentioned above. These increases were partly offset by a \$1.1 million decrease in trailer rentals and leases, as old leases were replaced with purchased trailers.

Depreciation and Amortization

Expedited Freight depreciation and amortization decreased \$1.7 million, or 5.9%, to \$27.3 million for the year ended December 31, 2019 from \$29.0 million for the year ended December 31, 2018. Depreciation and amortization expense as a percentage of Expedited Freight operating revenue was 2.8% in the year ended December 31, 2019 compared to 3.1% for the year ended December 31, 2018. The decrease in total dollars was primarily due to a \$1.9 million decrease in trailer depreciation for the year ended December 31, 2019 compared to the same period in 2018 primarily related to extending the useful lives of its trailers from seven to ten years as discussed above. Tractor depreciation decreased \$0.6 million for the year ended December 31, 2019 compared to the same period in 2018 primarily due to decreasing the salvage value of tractors from 25% to 10% as discussed above, partly offset by a decrease in tractor depreciation, as older units were replaced with tractor leases mentioned above. The net decrease of trailer and tractor depreciation of \$2.5 million was partly offset by a \$0.8 million of increased amortization of acquired intangibles from FSA.

Insurance and Claims

Expedited Freight insurance and claims expense increased \$4.5 million, or 23.9%, to \$23.3 million for the year ended December 31, 2019 from \$18.8 million for the year ended December 31, 2018. Insurance and claims as a percentage of Expedited Freight's operating revenue was 2.4% for the year ended December 31, 2019 compared to 2.0% for the year ended December 31, 2018. The increase was attributable to a \$1.0 million vehicle claim reserve recorded in the second quarter of 2019 for pending vehicular claims and a \$1.8 million increase in vehicle insurance premiums. The increase was also attributable to higher accident related vehicle damage repairs, cargo claims and claims related fees. 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 \$0.7 million, or 7.4%, to \$10.2 million for the year ended December 31, 2019 from \$9.5 million in the year ended December 31, 2018. Fuel expense was 1.0% of Expedited Freight's operating revenue for the years ended December 31, 2019 and 2018. Expedited Freight fuel expenses increased due to higher Company-employed driver miles.

Other Operating Expenses

Expedited Freight other operating expenses increased \$12.6 million, or 19.6%, to \$77.0 million for the year ended December 31, 2019 from \$64.4 million for the year ended December 31, 2018. Expedited Freight other operating expenses were 7.8% of operating revenue for the year ended December 31, 2019 compared to 6.9% for the year ended December 31, 2018. The increase in total dollars and as a percentage of revenue was primarily attributable to a \$2.8 million increase in parts costs for final mile installations due to the acquisition of FSA and a \$1.5 million increase in loss on operating assets due to reserves for and sales of tractors. See additional discussion regarding the fixed asset useful life study above. The increase was also attributable to a \$1.3 million increase in legal and professional fees and \$1.2 million in higher travel-related expenses. Additionally, receivables allowance increased \$0.8 million due to the third quarter of 2018 including a recovery of a previously reserved receivable. The remaining increase was due to increased terminal and office expenses and other over-the-road costs, including tolls.

Income from Operations

Expedited Freight income from operations decreased by \$0.4 million, or 0.4%, to \$101.0 million for the year ended December 31, 2019 compared to \$101.4 million for the year ended December 31, 2018. Expedited Freight's income from operations was 10.2% of operating revenue for the year ended December 31, 2019 compared to 10.9% for the year ended December 31, 2018. The decrease in income from operations was due to lower tonnage, higher insurance premiums and a large vehicle claim reserve, mostly offset by improvements in Network gross margin on increased utilization of owner-operators and Company-employed drivers and contributions from FSA.

Intermodal - Year Ended December 31, 2019 compared to Year Ended December 31, 2018

The following table sets forth our historical financial data of the Intermodal segment for the years ended December 31, 2019 and 2018 (in millions):

Intermodal Segment Information

(In millions)

(Unaudited)

	Year ended					
	December 31, 2019	Percent of Revenue	December 31, 2018	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 217.7	100.0%	\$ 201.0	100.0%	\$ 16.7	8.3%
Operating expenses:						
Purchased transportation	76.9	35.3	77.1	38.4	(0.2)	(0.3)
Salaries, wages and employee benefits	52.9	24.3	43.9	21.8	9.0	20.5
Operating leases	16.4	7.5	15.9	7.9	0.5	3.1
Depreciation and amortization	8.9	4.1	6.3	3.1	2.6	41.3
Insurance and claims	6.7	3.1	5.8	2.9	0.9	15.5
Fuel expense	7.6	3.5	6.6	3.3	1.0	15.2
Other operating expenses	24.6	11.3	22.1	11.0	2.5	11.3
Total operating expenses	194.0	89.1	177.7	88.4	16.3	9.2
Income from operations	\$ 23.7	10.9%	\$ 23.3	11.6%	\$ 0.4	1.7%

Intermodal Operating Statistics

	Year ended		
	December 31, 2019	December 31, 2018	Percent Change
Drayage shipments	313,817	305,239	2.8%
Drayage revenue per shipment	\$ 599	\$ 567	5.6
Number of locations	21	20	5.0%

Revenues

Intermodal operating revenue increased \$16.7 million, or 8.3%, to \$217.7 million for the year ended December 31, 2019 from \$201.0 million for the same period in 2018. The increase was primarily attributable to the increase in drayage shipments from the acquisition of O.S.T. that occurred in July 2019 and the acquisition of Southwest that occurred in November 2018. The increase was also attributable to revenue rate increases and fuel surcharge revenue on higher drayage shipments and higher fuel surcharge rates.

Purchased Transportation

Intermodal purchased transportation decreased \$0.2 million, or 0.3%, to \$76.9 million for the year ended December 31, 2019 from \$77.1 million for the same period in 2018. Intermodal purchased transportation as a percentage of revenue was 35.3% for the year ended December 31, 2019 compared to 38.4% for the year ended December 31, 2018. Intermodal purchased transportation includes owner-operators and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in Intermodal purchased transportation as a percentage of revenue was attributable to increased utilization of Company-employed drivers compared to the same period in 2018 and operating efficiencies.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased \$9.0 million, or 20.5%, to \$52.9 million for the year ended December 31, 2019 compared to \$43.9 million for the year ended December 31, 2018. As a percentage of Intermodal operating revenue, salaries, wages and benefits increased to 24.3% for the year ended December 31, 2019 compared to 21.8% for the same period in 2018. The 2.5% increase in salaries, wages and employee benefits as a percentage of revenue was attributable to a 1.3% increase from utilization of Company-employed drivers and a 1.3% increase from higher administrative salaries, wages and benefits as a percentage of revenue. The increase as a percentage of revenue was also attributable to a 0.4% increase in group health insurance and workers compensation as a percentage of revenue. These increases were partly offset by a 0.3% decrease as a percentage of revenue in incentive and share based compensation to employees and a 0.2% improvement in dock pay as a percentage of revenue. The increase in administrative salaries, wages and benefits as a percentage of revenue was due to additional headcount from the acquisitions of O.S.T., Southwest and MMT.

Operating Leases

Intermodal operating leases increased \$0.5 million, or 3.1% to \$16.4 million for the year ended December 31, 2019 from \$15.9 million for the same period in 2018. Operating leases were 7.5% of Intermodal operating revenue for the year ended December 31, 2019 compared to 7.9% in the same period of 2018. The decrease as a percentage of revenue was attributable to a 0.7% decrease in trailer rental charges as a percentage of revenue. This decrease as a percentage of revenue was partly offset by increases in facility rent from acquired companies and tractor rentals and leases to correspond with the increase in Company-employed driver usage mentioned above.

Depreciation and Amortization

Intermodal depreciation and amortization increased \$2.6 million, or 41.3%, to \$8.9 million for the year ended December 31, 2019 from \$6.3 million for the same period in 2018. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 4.1% for the year ended December 31, 2019 compared to 3.1% for the same period of 2018. The increase was due to \$1.2 million increase in amortization of acquired intangibles. The increase in depreciation and amortization was also attributable to a \$1.4 million increase in depreciation of equipment partly due to the equipment acquired from O.S.T..

Insurance and Claims

Intermodal insurance and claims expense increased \$0.9 million, or 15.5%, to \$6.7 million for the year ended December 31, 2019 from \$5.8 million for the year ended December 31, 2018. Intermodal insurance and claims were 3.1% of operating revenue for the year ended December 31, 2019 compared to 2.9% for the same period in 2018. The increase in Intermodal insurance and claims was primarily attributable 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 \$1.0 million, or 15.2%, to \$7.6 million for the year ended December 31, 2019 from \$6.6 million in the same period of 2018. Fuel expenses were 3.5% of Intermodal operating revenue for the year ended December 31, 2019 compared to 3.3% in the same period of 2018. Intermodal fuel expenses increased due to increased Company-employed driver usage mentioned above.

Other Operating Expenses

Intermodal other operating expenses increased \$2.5 million, or 11.3%, to \$24.6 million for the year ended December 31, 2019 compared to \$22.1 million for the same period of 2018. Intermodal other operating expenses as a percentage of revenue for the year ended December 31, 2019 were 11.3% compared to 11.0% for the same period of 2018. The increase in Intermodal other operating expense was due mostly to a \$1.0 million increase in container related rental and storage charges and a \$0.6 million increase in acquisition related legal and professional fees. The increase was also due to 2018 including a \$0.5 million reduction in the earn-out liability for the Atlantic acquisition. The remaining increase was due to increased terminal and office expenses and other over-the-road costs, including tolls.

Income from Operations

Intermodal's income from operations increased by \$0.4 million, or 1.7%, to \$23.7 million for the year ended December 31, 2019 compared to \$23.3 million for the same period in 2018. Income from operations as a percentage of Intermodal operating revenue was 10.9% for the year ended December 31, 2019 compared to 11.6% in the same period of 2018. The increase in operating income in total dollars was primarily attributable to the acquisitions of O.S.T., Southwest and MMT. These increases were partly offset by higher amortization and professional fees related to acquisitions and the prior period including a \$0.5 million benefit from the reduction of an earn-out liability, which led to the deterioration in income from operations as a percentage of revenue.

Pool Distribution - Year Ended December 31, 2019 compared to Year Ended December 31, 2018

The following table sets forth our historical financial data of the Pool Distribution segment for the years ended December 31, 2019 and 2018 (in millions):

Pool Distribution Segment Information

(In millions)

(Unaudited)

	Year ended					
	December 31, 2019	Percent of Revenue	December 31, 2018	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 207.4	100.0%	\$ 194.1	100.0%	\$ 13.3	6.9%
Operating expenses:						
Purchased transportation	61.7	29.7	57.4	29.6	4.3	7.5
Salaries, wages and employee benefits	78.7	37.9	71.3	36.7	7.4	10.4
Operating leases	19.0	9.2	17.6	9.1	1.4	8.0
Depreciation and amortization	5.9	2.8	6.9	3.6	(1.0)	(14.5)
Insurance and claims	6.2	3.0	4.6	2.4	1.6	34.8
Fuel expense	6.5	3.1	7.0	3.6	(0.5)	(7.1)
Other operating expenses	22.1	10.7	23.4	12.1	(1.3)	(5.6)
Total operating expenses	200.1	96.5	188.2	97.0	11.9	6.3
Income from operations	\$ 7.3	3.5%	\$ 5.9	3.0%	\$ 1.4	23.7%

Pool Distribution Operating Statistics

	Year ended		
	December 31, 2019	December 31, 2018	Percent Change
Cartons ¹	104,602	92,976	12.5%
Revenue per carton	\$ 1.98	\$ 2.09	(5.3)
Terminals	30	28	7.1

¹ In thousands

Revenues

Pool operating revenue increased \$13.3 million, or 6.9%, to \$207.4 million for the year ended December 31, 2019 from \$194.1 million for the year ended December 31, 2018. The increase was due to increased volumes from previously existing customers, new business and rate increases partly offset by a lower revenue per carton due to a change in customer mix. The increased volumes from previously existing and new customers was attributable in part to competitors exiting the market.

Purchased Transportation

Pool purchased transportation increased \$4.3 million, or 7.5%, to \$61.7 million for the year ended December 31, 2019 from \$57.4 million for the year ended December 31, 2018. Pool purchased transportation as a percentage of revenue was 29.7% for the year ended December 31, 2019 compared to 29.6% for the same period in 2018. Pool purchased transportation includes owner-operators and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase in Pool purchased transportation was attributable to increased rates charged by and increased utilization of, third-party carriers to cover the increases in revenue.

Salaries, Wages, and Benefits

Pool salaries, wages and employee benefits increased \$7.4 million, or 10.4%, to \$78.7 million for the year ended December 31, 2019 from \$71.3 million for the year ended December 31, 2018. As a percentage of Pool operating revenue, salaries, wages and benefits were 37.9% for the year ended December 31, 2019 compared to 36.7% for the same period in 2018. The increase was due to higher dock and driver pay and office and administrative pay. Dock pay increased due to increased dedicated revenue volumes, which required the use of more costly contract labor. Office and administrative pay increased due to additional staffing required to service business in new locations, including agent stations that were converted to Company-operated stations. Driver pay increased due to utilization of Company-employed drivers to fulfill the revenue increases.

Operating Leases

Pool operating leases increased \$1.4 million, or 8.0%, to \$19.0 million for the year ended December 31, 2019 from \$17.6 million for the year ended December 31, 2018. Operating leases were 9.2% of Pool operating revenue for the year ended December 31, 2019 compared to 9.1% for the year ended December 31, 2018. Operating leases increased due to increases in tractor leases for the additional revenue discussed above and the use of leased tractors to replace old purchased equipment. The increase was also due to increased facility rent due to terminal expansions and new terminals to handle increased revenue described above. The increases in facility rent were mostly offset by 2018 including a \$1.0 million charge to vacate a facility.

Depreciation and Amortization

Pool depreciation and amortization decreased \$1.0 million, or 14.5%, to \$5.9 million for the year ended December 31, 2019 compared to \$6.9 million for the same period in 2018. Depreciation and amortization expense as a percentage of Pool operating revenue was 2.8% for the year ended December 31, 2019 compared to 3.6% for the year ended December 31, 2018. Trailer depreciation decreased \$0.5 million compared to the same period in 2018 primarily due to extending the useful life of trailers from seven to ten years as discussed above. Tractor depreciation decreased \$0.5 million as older units were replaced with tractor leases mentioned above partly offset by additional depreciation recognized during 2019 following the useful life study reduced the salvage value of tractors from 25% to 10% as discussed above.

Insurance and Claims

Pool insurance and claims increased \$1.6 million, or 34.8%, to \$6.2 million for the year ended December 31, 2019 from \$4.6 million for the year ended December 31, 2018. As a percentage of operating revenue, insurance and claims was 3.0% for the year ended December 31, 2019 compared to 2.4% for the year ended December 31, 2018. The increase in total dollars and as a percentage of revenue was primarily due to increased vehicle insurance premiums and the prior period including a \$0.5 million

reimbursement for claims related legal fees. See additional discussion over the consolidated increase in self-insurance reserves related to vehicle claims in the "Other operations" section below.

Fuel Expense

Pool fuel expense decreased \$0.5 million, or 7.1%, to \$6.5 million for the year ended December 31, 2019 from \$7.0 million for the year ended December 31, 2018. Fuel expenses were 3.1% of Pool operating revenue during the year ended December 31, 2019 compared to 3.6% for the year ended December 31, 2018. Pool fuel expenses decreased due to lower year-over-year fuel prices, partly offset by increased utilization of Company-employed drivers.

Other Operating Expenses

Pool other operating expenses decreased \$1.3 million, or 5.6%, to \$22.1 million for the year ended December 31, 2019 compared to \$23.4 million for the year ended December 31, 2018. Pool other operating expenses were 10.7% of operating revenue for the year ended December 31, 2019 compared to 12.1% for the year ended December 31, 2018. Other operating expenses included equipment maintenance, terminal and office expenses, professional fees and other over-the-road costs. As a percentage of revenue, the decrease was primarily attributable to a \$2.0 million decrease in agent station handling costs due to the conversion of agent stations to Company-operated stations and lower revenue volumes from the remaining agent stations. This decrease was partly offset by increases in terminal and office expenses related to the new terminal locations.

Income from Operations

Pool income from operations increased by \$1.4 million, or 23.7% to \$7.3 million for the year ended December 31, 2019 from \$5.9 million for the year ended December 31, 2018. Pool income from operations was 3.5% of operating revenue for the year ended December 31, 2019 compared to 3.0% of operating revenue for the year ended December 31, 2018. The improvement in Pool operating income in total dollars and as a percentage of revenue was due to increased revenue from new location wins, which included additional volumes from existing customers and new business wins and revenue rate increases. Pool's operating income also improved due to a \$1.0 million charge to vacate a facility during 2018.

Other operations - Year Ended December 31, 2019 compared to Year Ended December 31, 2018

Other operating activity declined from an \$8.5 million operating loss during the year ended December 31, 2018 to a \$13.2 million operating loss during the year ended December 31, 2019. The year ended December 31, 2019 included \$6.5 million in vehicular reserves for unfavorable development of second quarter 2019 claims and increases to our loss development factors for vehicle and workers' compensation claims of \$2.8 million and \$0.3 million, respectively. The loss was also attributed to \$3.6 million in costs related to the CEO transition.

The \$8.5 million operating loss included in other operations and corporate activities for the year ended December 31, 2018 included a \$6.0 million increase in self-insurance reserves related to existing vehicular claims and \$0.8 million in self-insurance reserves resulting from workers' compensation claims. The loss was also attributable to \$1.1 million in costs related to the CEO transition, comprised of recruiting fees and retention share awards.

Results of Operations

The following table sets forth our historical financial data for the years ended December 31, 2018 and 2017 (in millions):

	Year ended December 31,			
	2018	2017	Change	Percent Change
	(As Adjusted)	(As Adjusted)		
Operating revenue:				
Expedited Freight	\$ 931.1	\$ 850.4	\$ 80.7	9.5%
Intermodal	201.0	154.7	46.3	29.9
Pool Distribution	194.1	168.5	25.6	15.2
Eliminations and other operations	(5.3)	(4.3)	(1.0)	23.3
Operating revenue	1,320.9	1,169.3	151.6	13.0
Operating expenses:				
Purchased transportation	613.6	545.1	68.5	12.6
Salaries, wages, and employee benefits	300.2	265.8	34.4	12.9
Operating leases	75.7	63.8	11.9	18.7
Depreciation and amortization	42.2	41.1	1.1	2.7
Insurance and claims	35.2	29.6	5.6	18.9
Fuel expense	23.1	16.5	6.6	40.0
Other operating expenses	108.8	98.6	10.2	10.3
Total operating expenses	1,198.8	1,060.5	138.3	13.0
Income (loss) from operations:				
Expedited Freight	101.4	91.2	10.2	11.2
Intermodal	23.3	13.0	10.3	79.2
Pool Distribution	5.9	6.4	(0.5)	(7.8)
Other operations	(8.5)	(1.8)	(6.7)	372.2
Income from operations	122.1	108.8	13.3	12.2
Other expense:				
Interest expense	(1.8)	(1.2)	(0.6)	50.0
Total other expense	(1.8)	(1.2)	(0.6)	50.0
Income before income taxes	120.3	107.6	12.7	11.8
Income taxes	28.2	20.3	7.9	38.9
Net income and comprehensive income	\$ 92.1	\$ 87.3	\$ 4.8	5.5%

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion above and in Note 10, Segment Reporting to our Consolidated Financial Statements.

Revenues

During the year ended December 31, 2018, revenue increased 13.0% compared to the year ended December 31, 2017. The revenue increase was primarily driven by increased revenue from our Expedited Freight segment of \$80.7 million driven by increased network revenue and other terminal based revenue over the prior year. The company's other segments also had revenue growth over prior year.

Operating Expenses

Operating expenses increased \$138.3 million primarily driven by purchased transportation increases of \$68.5 million and salaries, wages and employee benefits increases of \$34.4 million. Company-employed drivers are included in salaries, wages and benefits, while purchased transportation includes owner-operators and third-party carriers. Purchased transportation increased primarily due to increased volumes, increased utilization of third-party transportation providers, which are typically more costly than owner-operators and rate increases to owner-operators. Salaries, wages and employee benefits increased primarily due to increased personnel needs to support the additional volumes.

Operating Income and Segment Operations

Operating income increased \$13.3 million, or 12.2%, from the year ended December 31, 2017 to \$122.1 million for the year ended December 31, 2018 primarily driven by a \$10.2 million increase from our Expedited Freight segment and a \$10.3 million increase from our Intermodal segment, offset by a \$6.7 million decrease in other operations. The increase in Expedited Freight was primarily due to increased revenue due to higher shipments, tonnage and fuel surcharge revenue. The increase in Intermodal was primarily due to increased high-margin storage and fuel revenues and a full year of its Atlantic acquisition. Other operations decreased primarily due to increased insurance reserves and CEO transition costs. The results for our three reportable segments are discussed in detail in the following sections.

Interest Expense

Interest expense was \$1.8 million for the year ended December 31, 2018 compared to \$1.2 million for the same period in 2017. The increase in interest expense was attributable to additional borrowings on our revolving credit facility.

Income Taxes

The combined federal and state effective tax rate for the year ended December 31, 2018 was 23.4% compared to a rate of 18.9% for the same period in 2017. The effective tax rate for 2018 is primarily the result of the enactment of the Tax Cuts and Jobs Act, which lowered the statutory federal income tax rate to 21.0% from 35.0%. The lower effective tax rate for 2017 is the result of the impact of lowering the value of our net deferred tax liabilities as of December 31, 2017 following the enactment of the Tax Cuts and Jobs Act.

Net Income

As a result of the foregoing factors, net income increased by \$4.8 million, or 5.5%, to \$92.1 million for the year ended December 31, 2018 compared to \$87.3 million for the same period in 2017.

Expedited Freight - Year Ended December 31, 2018 compared to Year Ended December 31, 2017

The following table sets forth our historical financial data of the Expedited Freight segment for the years ended December 31, 2018 and 2017 (in millions):

Expedited Freight Segment Information
(In millions)
(Unaudited)

	Year ended					
	December 31, 2018 (As Adjusted)	Percent of Revenue	December 31, 2017 (As Adjusted)	Percent of Revenue	Change	Percent Change
Operating revenue:						
Network ¹	\$ 677.4	72.8%	\$ 603.6	71.0%	\$ 73.8	12.2%
Truckload	186.1	20.0	195.3	23.0	(9.2)	(4.7)
Final Mile	39.4	4.2	27.8	3.3	11.6	41.7
Other	28.2	3.0	23.7	2.8	4.5	19.0
Total operating revenue	931.1	100.0	850.4	100.0	80.7	9.5
Operating expenses:						
Purchased transportation	483.1	51.9	436.7	51.4	46.4	10.6
Salaries, wages and employee benefits	182.9	19.6	166.9	19.6	16.0	9.6
Operating leases	42.0	4.5	37.6	4.4	4.4	11.7
Depreciation and amortization	29.0	3.1	28.4	3.3	0.6	2.1
Insurance and claims	18.8	2.0	20.8	2.4	(2.0)	(9.6)
Fuel expense	9.5	1.0	7.1	0.8	2.4	33.8
Other operating expenses	64.4	6.9	61.7	7.3	2.7	4.4
Total operating expenses	829.7	89.1	759.2	89.3	70.5	9.3
Income from operations	\$ 101.4	10.9%	\$ 91.2	10.7%	\$ 10.2	11.2%

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

Note: Prior period balances have been adjusted to conform with the Company's revised segment reporting classification. See additional discussion above and in Note 10, Segment Reporting to our Consolidated Financial Statements.

Expedited Freight Operating Statistics
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	Year ended		
	December 31,	December 31,	Percent
	2018	2017	Change
	(As Adjusted)	(As Adjusted)	
Business days	255	254	0.4%
Tonnage ^{1,2}			
Total pounds	2,562,205	2,478,059	3.4
Pounds per day	10,048	9,756	3.0
Shipments ^{1,2}			
Total shipments	4,173	4,048	3.1
Shipments per day	16.4	15.9	3.1
Weight per shipment	614	612	0.3
Revenue per hundredweight ³	\$ 26.15	\$ 23.91	9.4
Revenue per hundredweight, ex fuel ³	\$ 22.09	\$ 21.30	3.7
Revenue per shipment ³	\$ 163	\$ 146	11.6
Revenue per shipment, ex fuel ³	\$ 138	\$ 130	6.2%
Network revenue from door-to-door shipments as a percentage of network revenue ^{3,4}	35.3%	34.9%	1.1
Network gross margin ⁵	52.0%	54.5%	(4.6)

¹ In thousands

² Excludes accessorial, full truckload and final mile products

³ Includes intercompany revenue between the Network and Truckload revenue streams

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

⁵ Network revenue less network purchased transportation as a percentage of network revenue

Revenues

Expedited Freight operating revenue increased \$80.7 million, or 9.5% , to \$931.1 million for the year ended December 31, 2018 from \$850.4 million for the same period of 2017. This increase was due to increased network revenue, final mile revenue and other terminal based revenue over the prior year, partially offset by a decrease in truckload revenue. Network revenue increased \$73.8 million due to a 3.1% increase in shipments, a 3.4% increase in tonnage and a 9.4% increase in revenue per hundredweight over prior year. The increase in tonnage was due to an increase in class-rated shipments and the increase in revenue per hundredweight was due to increased fuel prices, shipment size and revenue per shipment.

Final mile revenue increased \$11.6 million primarily due to new business wins in the final mile service offering. Other revenue, which includes terminal handling and warehousing, increased \$4.5 million. Truckload revenue decreased \$9.2 million due to deliberate shedding of lower margin business as well as reduced fleet capacity versus the prior year period.

Purchased Transportation

Expedited Freight purchased transportation increased by \$46.4 million, or 10.6%, to \$483.1 million for the year ended December 31, 2018 from \$436.7 million for the year ended December 31, 2017. As a percentage of segment operating revenue, Expedited Freight purchased transportation was 51.9% during the year ended December 31, 2018 compared to 51.4% for the same period of 2017. Expedited Freight purchased transportation includes owner-operators and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase as a percentage of revenue was mostly due to an increase in our cost per mile as a result of increased utilization of third-party transportation providers, which are typically more costly than owner-operators, and rate increases to owner-operators.

Salaries, Wages, and Benefits

Expedited Freight salaries, wages and employee benefits increased by \$16.0 million, or 9.6%, to \$182.9 million for the year ended December 31, 2018 from \$166.9 million in the same period of 2017. Salaries, wages and employee benefits were 19.6% of Expedited Freight's operating revenue for the years ended December 31, 2018 and 2017. Health insurance costs decreased 0.4% as a percentage of revenue, however, was offset by increased driver and dock pay. Driver pay increased due to increased utilization of Company-employed drivers for transportation services and dock pay increased due to the higher tonnage volumes mentioned above.

Operating Leases

Expedited Freight operating leases increased \$4.4 million, or 11.7%, to \$42.0 million for the year ended December 31, 2018 from \$37.6 million for the year ended December 31, 2017. Operating leases were 4.5% of Expedited Freight's operating revenue for the year ended December 31, 2018 compared to 4.4% for the year ended December 31, 2017. The increase in cost is due to a \$3.9 million increase in tractor rentals and leases and \$2.3 million of additional facility lease expenses partly offset by a \$1.8 million decrease in trailer leases and equipment rentals. Tractor leases increased due to the increased usage of Company-employed drivers mentioned above and facility leases increased due to the expansion of certain facilities. Trailer leases and equipment rentals decreased due to prior year rentals and leases that were replaced with purchased units.

Depreciation and Amortization

Expedited Freight depreciation and amortization increased \$0.6 million, or 2.1%, to \$29.0 million for the year ended December 31, 2018 from \$28.4 million for the year ended December 31, 2017. Depreciation and amortization expense as a percentage of Expedited Freight operating revenue was 3.1% in the year ended December 31, 2018 compared to 3.3% for the year ended December 31, 2017. The decrease as a percentage of revenue was due to lower amortization expenses partly offset by the purchase of new trailers during 2018. The lower amortization expense was due to the completion of the useful life for an acquired customer relationship.

Insurance and Claims

Expedited Freight insurance and claims expense decreased \$2.0 million, or 9.6%, to \$18.8 million for the year ended December 31, 2018 from \$20.8 million for the year ended December 31, 2017. Insurance and claims as a percentage of Expedited Freight's operating revenue was 2.0% for the year ended December 31, 2018 compared to 2.4% for the year ended December 31, 2017. The decrease as a percentage of revenue was attributable to lower vehicle liability claims and insurance premiums. At a consolidated level, vehicle claims reserves increased; see discussion in the "Other operations" section below.

Fuel Expense

Expedited Freight fuel expense increased \$2.4 million, or 33.8%, to \$9.5 million for the year ended December 31, 2018 from \$7.1 million in the year ended December 31, 2017. Fuel expense was 1.0% of Expedited Freight's operating revenue for the year ended December 31, 2018 compared to 0.8% for the year ended December 31, 2017. Expedited Freight fuel expenses increased due to higher year-over-year fuel prices and increased Company-employed driver miles.

Other Operating Expenses

Expedited Freight other operating expenses increased \$2.7 million, or 4.4%, to \$64.4 million for the year ended December 31, 2018 from \$61.7 million for the year ended December 31, 2017. Expedited Freight other operating expenses were 6.9% of operating revenue for the year ended December 31, 2018 compared to 7.3% for the year ended December 31, 2017. Other operating expenses included equipment maintenance, terminal and office expenses, professional fees, and other costs of transiting our network. The decrease as percentage of revenue was primarily the result of lower owner-operator costs, such as tolls, and lower maintenance due to the increased utilization of brokered transportation mentioned above. Additional decrease as a percentage of revenue was due to the year ended December 31, 2018 including the recovery of previously reserved receivables, while the same period of 2017 included an increase in receivables allowance.

Income from Operations

Expedited Freight income from operations increased by \$10.2 million, or 11.2%, to \$101.4 million for the year ended December 31, 2018 compared to \$91.2 million for the year ended December 31, 2017. Expedited Freight's income from operations was 10.9% of operating revenue for the year ended December 31, 2018 compared to 10.7% for the year ended December 31, 2017. The increase in income from operations was due to increases in revenue due to higher shipments, tonnage and fuel surcharge revenue as well as the deliberate shedding of lower margin truckload business. These improvements were mostly offset by increased utilization of third-party transportation providers.

Intermodal - Year Ended December 31, 2018 compared to Year Ended December 31, 2017

The following table sets forth our historical financial data of the Intermodal segment for the years ended December 31, 2018 and 2017 (in millions):

Intermodal Segment Information

(In millions)

(Unaudited)

	Year ended					
	December 31, 2018	Percent of Revenue	December 31, 2017	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 201.0	100.0%	\$ 154.7	100.0%	\$ 46.3	29.9%
Operating expenses:						
Purchased transportation	77.1	38.4	63.6	41.1	13.5	21.2
Salaries, wages and employee benefits	43.9	21.8	34.0	22.0	9.9	29.1
Operating leases	15.9	7.9	13.5	8.7	2.4	17.8
Depreciation and amortization	6.3	3.1	5.8	3.8	0.5	8.6
Insurance and claims	5.8	2.9	4.2	2.7	1.6	38.1
Fuel expense	6.6	3.3	3.9	2.5	2.7	69.2
Other operating expenses	22.1	11.0	16.7	10.8	5.4	32.3
Total operating expenses	177.7	88.4	141.7	91.6	36.0	25.4
Income from operations	\$ 23.3	11.6%	\$ 13.0	8.4%	\$ 10.3	79.2%

Intermodal Operating Statistics

	Year ended		
	December 31, 2018	December 31, 2017	Percent Change
Drayage shipments	305,239	233,093	31.0%
Drayage revenue per Shipment	\$ 567	\$ 554	2.3
Number of Locations	20	19	5.3%

Revenues

Intermodal operating revenue increased \$46.3 million, or 29.9%, to \$201.0 million for the year ended December 31, 2018 from \$154.7 million for the same period in 2017. The increases in operating revenue were primarily attributable to a full year of revenue from Atlantic, which was acquired in May 2017, the impact of increased fuel surcharges and increased rental and storage revenues.

Purchased Transportation

Intermodal purchased transportation increased \$13.5 million, or 21.2%, to \$77.1 million for the year ended December 31, 2018 from \$63.6 million for the same period in 2017. Intermodal purchased transportation as a percentage of revenue was 38.4% for the year ended December 31, 2018 compared to 41.1% for the year ended December 31, 2017. Intermodal purchased transportation includes owner-operators and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. The decrease in Intermodal purchased transportation as a percentage of revenue was attributable to a change in revenue mix, as Intermodal had higher increases to revenue lines that did not require the use of purchased transportation. This was partly offset by a higher utilization of owner-operators as opposed to Company-employed drivers during 2018 compared to the same period of 2017, as Atlantic utilized more owner-operators than Company-employed drivers.

Salaries, Wages, and Benefits

Intermodal salaries, wages and employee benefits increased \$9.9 million, or 29.1%, to \$43.9 million for the year ended December 31, 2018 compared to \$34.0 million for the year ended December 31, 2017. As a percentage of Intermodal operating revenue, salaries, wages and benefits decreased to 21.8% for the year ended December 31, 2018 compared to 22.0% for the same period in 2017. The improvement in salaries, wages and employee benefits as a percentage of revenue was attributable to lower workers' compensation and health insurance costs as a percentage of revenue partly offset by higher employee incentives and share-based compensation.

Operating Leases

Intermodal operating leases increased \$2.4 million, or 17.8% to \$15.9 million for the year ended December 31, 2018 from \$13.5 million for the same period in 2017. Operating leases were 7.9% of Intermodal operating revenue for the year ended December 31, 2018 compared to 8.7% in the same period of 2017. Operating leases decreased as a percentage of revenue since revenue that does not require trailer rentals increased at a faster pace than those that required trailer rental charges. The decrease as a percentage of revenue is also attributable to utilization of owned equipment acquired from Atlantic and the increase in revenue out-pacing the increase in facility rents.

Depreciation and Amortization

Intermodal depreciation and amortization increased \$0.5 million, or 8.6%, to \$6.3 million for the year ended December 31, 2018 from \$5.8 million for the same period in 2017. Depreciation and amortization expense as a percentage of Intermodal operating revenue was 3.1% for the year ended December 31, 2018 compared to 3.8% for the same period of 2017. The increase in depreciation and amortization is due the amortization of intangible assets acquired during 2017 and 2018. Depreciation and amortization decreased as a percentage of revenue since revenue that does not require equipment increased at a faster pace than those that required equipment.

Insurance and Claims

Intermodal insurance and claims expense increased \$1.6 million, or 38.1%, to \$5.8 million for the year ended December 31, 2018 from \$4.2 million for the year ended December 31, 2017. Intermodal insurance and claims were 2.9% of operating revenue for the year ended December 31, 2018 compared to 2.7% for the same period in 2017. The increase in

Intermodal insurance and claims was attributable to higher insurance premiums for the additional volumes and higher claims reserves. 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 \$2.7 million, or 69.2%, to \$6.6 million for the year ended December 31, 2018 from \$3.9 million in the same period of 2017. Fuel expenses were 3.3% of Intermodal operating revenue for the year ended December 31, 2018 compared to 2.5% in the same period of 2017. Intermodal fuel expenses increased due to higher year-over-year fuel prices and increased Company-employed driver activity.

Other Operating Expenses

Intermodal other operating expenses increased \$5.4 million, or 32.3%, to \$22.1 million for the year ended December 31, 2018 compared to \$16.7 million for the same period of 2017. Intermodal other operating expenses as a percentage of revenue for the year ended December 31, 2018 were 11.0% compared to 10.8% for the same period of 2017. The increase in Intermodal other operating expenses was due mostly due to a \$4.6 million increase in container related rental and storage charges associated with revenue increases discussed previously. The remaining increase was due to increased equipment maintenance, facility costs and professional fees. These increases were partly offset by a \$0.5 million reduction in the earn-out liability for the Atlantic acquisition during 2018.

Income from Operations

Intermodal's income from operations increased by \$10.3 million, or 79.2%, to \$23.3 million for the year ended December 31, 2018 compared to \$13.0 million for the same period in 2017. Income from operations as a percentage of Intermodal operating revenue was 11.6% for the year ended December 31, 2018 compared to 8.4% in the same period of 2017. The increase in operating income as a percentage of revenue was primarily attributable to the increase in high-margin storage and fuel revenues and a full year of the Atlantic acquisition.

Pool Distribution - Year Ended December 31, 2018 compared to Year Ended December 31, 2017

The following table sets forth our historical financial data of the Pool Distribution segment for the years ended December 31, 2018 and 2017 (in millions):

Pool Distribution Segment Information

(In millions)

(Unaudited)

	Year ended					
	December 31, 2018	Percent of Revenue	December 31, 2017	Percent of Revenue	Change	Percent Change
Operating revenue	\$ 194.1	100.0%	\$ 168.5	100.0%	\$ 25.6	15.2 %
Operating expenses:						
Purchased transportation	57.4	29.6	47.5	28.2	9.9	20.8
Salaries, wages and employee benefits	71.3	36.7	62.7	37.2	8.6	13.7
Operating leases	17.6	9.1	13.3	7.9	4.3	32.3
Depreciation and amortization	6.9	3.6	6.8	4.0	0.1	1.5
Insurance and claims	4.6	2.4	4.7	2.8	(0.1)	(2.1)
Fuel expense	7.0	3.6	5.5	3.3	1.5	27.3
Other operating expenses	23.4	12.1	21.6	12.8	1.8	8.3
Total operating expenses	188.2	97.0	162.1	96.2	26.1	16.1
Income from operations	\$ 5.9	3.0%	\$ 6.4	3.8%	\$ (0.5)	(7.8)%

Pool Distribution Operating Statistics

	Year ended		
	December 31, 2018	December 31, 2017	Percent Change
Cartons ¹	92,976	82,196	13.1 %
Revenue per Carton	\$ 2.09	\$ 2.05	2.0
Terminals	28	28	—%

¹ In thousands

Revenues

Pool operating revenue increased \$25.6 million, or 15.2%, to \$194.1 million for the year ended December 31, 2018 from \$168.5 million for the year ended December 31, 2017. The increase was due to increased volumes from previously existing customers, new business and rate increases.

Purchased Transportation

Pool purchased transportation increased \$9.9 million, or 20.8%, to \$57.4 million for the year ended December 31, 2018 from \$47.5 million for the year ended December 31, 2017. Pool purchased transportation as a percentage of revenue was 29.6% for the year ended December 31, 2018 compared to 28.2% for the same period in 2017. Pool purchased transportation includes owner-operators and third-party carriers, while Company-employed drivers are included in salaries, wages and benefits. The increase in Pool purchased transportation as a percentage of revenue was attributable to increased rates charged by, and increased utilization of, third-party carriers to cover the increases in revenue.

Salaries, Wages, and Benefits

Pool salaries, wages and employee benefits of Pool increased \$8.6 million, or 13.7%, to \$71.3 million for the year ended December 31, 2018 from \$62.7 million for the year ended December 31, 2017. As a percentage of Pool operating revenue, salaries, wages and benefits were 36.7% for the years ended December 31, 2018 compared to 37.2% for the same period in 2017. The decrease in salaries, wages and benefits as a percentage of revenue was the result of decreases in employee incentives, driver pay and group health insurance costs partly offset by increased dock pay. Dock pay deteriorated as a percentage of revenue as increasing revenue volumes required the use of more costly contract labor.

Operating Leases

Pool operating leases increased \$4.3 million, or 32.3%, to \$17.6 million for the year ended December 31, 2018 from \$13.3 million for the year ended December 31, 2017. Operating leases were 9.1% of Pool operating revenue for the year ended December 31, 2018 compared to 7.9% for the year ended December 31, 2017. Operating leases increased as a percentage of revenue due to increases in facility lease expenses and tractor leases for the additional revenue discussed above and the use of leased tractors to replace old purchased equipment. The increase in facility lease expenses is mostly due to a \$1.0 million charge to vacate a facility.

Depreciation and Amortization

Pool depreciation and amortization increased \$0.1 million, or 1.5%, to \$6.9 million for the year ended December 31, 2018 compared to \$6.8 million for the same period in 2017. Depreciation and amortization expense as a percentage of Pool operating revenue was 3.6% for the year ended December 31, 2018 compared to 4.0% for the year ended December 31, 2017. The decrease in Pool depreciation and amortization as a percentage of revenue was due to the increase in leased tractors mentioned above instead of purchased equipment, partly offset by increased trailer depreciation on trailers purchased during 2018.

Insurance and Claims

Pool insurance and claims decreased \$0.1 million, or 2.1%, to \$4.6 million for the year ended December 31, 2018 from \$4.7 million for the year ended December 31, 2017. As a percentage of operating revenue, insurance and claims was 2.4% for the year ended December 31, 2018 compared to 2.8% for the year ended December 31, 2017. The decrease as a percentage of revenue was due to a \$0.5 million reimbursement of legal fees in the year ended December 31, 2018 for expenses incurred in prior periods. The decrease as a percentage of revenue was also due to a decrease in vehicle liability claims. At a consolidated level, vehicle claims reserves increased; see discussion in the "Other operations" section below.

Fuel Expense

Pool fuel expense increased \$1.5 million, or 27.3%, to \$7.0 million for the year ended December 31, 2018 from \$5.5 million for the year ended December 31, 2017. Fuel expenses were 3.6% of Pool operating revenue during the year ended December 31, 2018 compared to 3.3% for the year ended December 31, 2017. Pool fuel expenses increased due to higher year-over-year fuel prices, higher revenue volumes and increased Company-employed driver miles.

Other Operating Expenses

Pool other operating expenses increased \$1.8 million, or 8.3%, to \$23.4 million for the year ended December 31, 2018 compared to \$21.6 million for the year ended December 31, 2017. Pool other operating expenses were 12.1% of operating revenue for the year ended December 31, 2018 compared to 12.8% for the year ended December 31, 2017. Other operating expenses include equipment maintenance, terminal and office expenses, professional fees and other over-the-road costs. As a percentage of revenue the decrease was attributable to a 0.6% decrease in equipment maintenance costs and a 0.3% decrease in agent terminal handling costs. These decreases were partly offset by a 0.1% increase as a percentage of revenue in recruiting expenses.

Income from Operations

Pool income from operations decreased by \$0.5 million, or 7.8% to \$5.9 million for the year ended December 31, 2018 from \$6.4 million for the year ended December 31, 2017. Pool income from operations was 3.0% of operating revenue for the year ended December 31, 2018 compared to 3.8% of operating revenue for the year ended December 31, 2017. The deterioration in Pool operating income was primarily the result of increased utilization of and higher rates charged by third-party carriers and increasing revenue volumes required the use of more costly contract labor. Pool's operating income also decreased due to the one-time charge to vacate a facility during 2018.

Other operations - Year Ended December 31, 2018 compared to Year Ended December 31, 2017

Other operating activity declined from a \$1.8 million operating loss during the year ended December 31, 2017 to an \$8.5 million operating loss during the year ended December 31, 2018. The year ended December 31, 2018 included a \$6.0 million increase in self-insurance reserves related to existing vehicular claims and \$0.8 million in self-insurance reserves resulting from analysis of our workers' compensation claims. The loss was also attributable to \$1.1 million in costs related to the CEO transition, comprised of recruiting fees and retention share awards.

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

Discussion of Critical Accounting Policies

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

Self-Insurance Loss Reserves

Under U.S. Department of Transportation ("DOT") regulations, the Company is liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on the Company's behalf. Additionally, from time to time, the drivers employed and engaged by the third-party transportation carriers the Company contracts with are involved in accidents, which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not Company employees, all of these drivers are employees, owner-operators, or independent contractors working for carriers and, from time to time, claims may be asserted against us for their actions, or for the Company's actions in retaining them.

The Company currently maintains liability insurance coverage that it believes is adequate to cover third-party claims. The Company has a self-insured retention ("SIR") of \$3 million per occurrence for vehicle and general liability claims and will be responsible for any damages and personal injuries below that self-insured amount.

The Company may also be subject to claims for workers' compensation. The Company maintains workers' compensation insurance coverage that it believes is adequate to cover such claims. The Company has a SIR of approximately \$0.4 million for each such claim, except in Ohio, where it is a qualified self-insured entity with an approximately \$0.5 million SIR.

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

The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and the Company's assumptions about the emerging trends, management develops an estimate ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. The Company utilizes quarterly actuarial analyses to evaluate open claims and estimate the ongoing development exposure.

As of December 31, 2019 and 2018, the Company had insurance reserves of \$66.2 million and \$54.2 million, respectively, which included reserves in excess of the SIR expected to be reimbursed from third-party insurance carriers. The long-term portion of this liability is \$49.8 million, which is included in "Other long-term liabilities," and the remainder is included in "Insurance and Claims accruals" on the Company's Balance Sheets.

As of December 31, 2019, the Company recognized an insurance proceeds receivable and claims payable of \$34.1 million for open vehicle and workers' compensation claims in excess of the Company's stop-loss limits. As of December 31, 2018, the Company recognized an insurance proceeds receivable and claims payable of \$28.5 million for open vehicle and workers' compensation claims in excess of the Company's stop-loss limits. These balances are recorded in other assets and other long-term liabilities, respectively, in the Company's consolidated balance sheets.

Business Combinations and Goodwill

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, the Company values that consideration as of the acquisition date and it is recorded to goodwill.

Once the acquired assets and assumed liabilities are identified, the fair values 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 fair values 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 the Company conducts an annual (or more frequently if circumstances indicate possible impairment) impairment test of goodwill for each reporting unit at June 30 of each year. Examples of such events or circumstances could include a significant change in business climate or a loss of significant customers. Other intangible assets are amortized over their useful lives. Results of impairment testing are described in Note 2, Acquisitions, Goodwill and Other Long-Lived Assets.

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

Liquidity and Capital Resources

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

Year Ended December 31, 2019 Cash Flows compared to December 31, 2018 Cash Flows

Net cash provided by operating activities totaled approximately \$159.0 million for the year ended December 31, 2019 compared to approximately \$152.6 million for the year ended December 31, 2018. The \$6.4 million increase in cash provided by operating activities is mainly attributable to a \$14.2 million improvement in the collection of receivables, primarily related to lower days sales outstanding for Pool and final mile receivables and a decrease in estimated income tax payments. This increase was partly offset by a \$3.8 million decrease in accounts payable and accrued expenses, a \$3.5 million increase in prepaid expenses due to the purchase of cloud-based software and a \$2.9 million decrease in net earnings after consideration of non-cash items.

Net cash used in investing activities was approximately \$63.9 million for the year ended December 31, 2019 compared with approximately \$55.5 million during the year ended December 31, 2018. Investing activities during the year ended December 31, 2019 consisted primarily of FSA for \$27.0 million, O.S.T. for \$12.0 million and net capital expenditures of \$24.9 million primarily for new trailers, information technology and facility equipment. Investing activities during the year ended December 31, 2018 consisted primarily of net capital expenditures of \$35.2 million primarily for new trailers, information technology and sorting equipment and \$20.0 million used to acquire Southwest and MMT. The proceeds from disposal of property and equipment during the year ended December 31, 2019 and 2018 were primarily from sales of older trailers and tractors.

Net cash used in financing activities totaled approximately \$56.0 million for the year ended December 31, 2019 compared with net cash used in financing activities of \$75.3 million for the year ended December 31, 2018. The \$19.3 million decrease was attributable to a \$13.0 million increase in net borrowings from our revolving credit facility. The year ended December 31, 2019 also included \$56.2 million used to repurchase shares of our common stock, which was a \$9.9 million decrease from the \$66.1 million used to repurchase shares of common stock for the same period of 2018. These were partly offset by a \$2.0 million increase in payments of cash dividends due to an increase in dividend per share from \$0.63 per share in the year ended December 31, 2018 to \$0.72 per share in the year ended December 31, 2019, partly offset by a decrease in the outstanding share count during the year ended December 31, 2019 compared to the same period in 2018. Additionally, there was a \$0.9 million decrease in cash from employee stock transactions and related tax benefits and a \$0.7 million increase in payments of debt and finance lease obligations.

Year Ended December 31, 2018 Cash Flows compared to December 31, 2017 Cash Flows

Net cash provided by operating activities totaled approximately \$152.6 million for the year ended December 31, 2018 compared to approximately \$103.4 million for the year ended December 31, 2017. The \$49.2 million increase in cash provided by operating activities is mainly attributable to a \$25.5 million increase in net earnings after consideration of non-cash items and a \$21.3 million improvement in the collection of receivables, primarily related to 2017 receivables increasing for revenues related to the Atlantic acquisition. The remaining increase was due to a decrease in estimated income tax payments.

Net cash used in investing activities was approximately \$55.5 million for the year ended December 31, 2018 compared with approximately \$59.2 million during the year ended December 31, 2017. Investing activities during the year ended December 31, 2018 consisted primarily of net capital expenditures of \$35.2 million primarily for new trailers, information technology and sorting equipment and \$20.0 million used to acquire Southwest and MMT. Investing activities during the year ended December 31, 2017 consisted primarily of net capital expenditures of \$35.8 million primarily for new trailers, forklifts and information technology and \$23.1 million used to acquire Atlantic and KCL. The proceeds from disposal of property and equipment during the year ended December 31, 2018 and 2017 were primarily from sales of older trailers.

Net cash used in financing activities totaled approximately \$75.3 million for the year ended December 31, 2018 compared with net cash used in financing activities of \$48.8 million for the year ended December 31, 2017. The \$26.5 million increase was attributable to a \$48.0 million decrease in net borrowings from our revolving credit facility partly offset by a \$28.0 million decrease in payments on our term loan and a \$14.5 million decrease in payments on our line of credit. Additionally, there was a \$3.5 million decrease in cash from employee stock transactions and related tax benefits. The year ended December 31, 2018 also included \$66.1 million used to repurchase shares of our common stock, which was a \$17.1 million increase from the \$49.0 million used to repurchase shares of common stock for the same period of 2017. The remaining change in financing activity is attributable to a \$0.4 million increase in payments of cash dividends due to an increase in fourth quarter dividend per share from \$0.15 per share to \$0.18 per share partly offset by a decrease in the outstanding share count during the year ended December 31, 2018 compared to the same period in 2017.

Credit Facility

See Note 6, Senior Credit Facility, to our Consolidated Financial Statements for a discussion of the senior credit facility.

Share Repurchases and Dividends

See Note 11, Shareholders' Equity, to our Consolidated Financial Statements for a discussion of our share repurchases and dividends during the period.

Off-Balance Sheet Arrangements

At December 31, 2019, we had letters of credit outstanding from banks totaling \$14.0 million required primarily by our workers' compensation and vehicle liability insurance providers.

Contractual Obligations and Commercial Commitments

Our contractual obligations and other commercial commitments as of December 31, 2019 (in thousands) are summarized below:

Contractual Obligations	Payment Due Period (in millions)				
	Total	2020	2021-2022	2023-2024	2025 and Thereafter
Finance lease obligations	\$ 6.9	\$ 1.6	\$ 3.0	\$ 2.0	\$ 0.3
Equipment purchase commitments	6.4	6.4	—	—	—
Operating leases	184.7	61.8	78.7	36.9	7.3
Total contractual cash obligations	\$ 198.0	\$ 69.8	\$ 81.7	\$ 38.9	\$ 7.6

Not included in the above table are \$67.5 million in borrowings outstanding under the revolving credit facility, reserves for unrecognized tax benefits of \$1.0 million and self-insurance claims of \$34.1 million. The equipment purchase commitments are for various trailers, vehicles and forklifts. All of the above commitments are expected to be funded by cash on hand and cash flows from operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk relates principally to changes in interest rates and fuel prices. Our interest rate exposure relates principally to changes in interest rates for borrowings under our senior unsecured credit facility. The revolving credit had \$67.5 million outstanding at December 31, 2019 and bears interest at variable rates. However, a hypothetical increase in our credit facility borrowing rate of 150 basis points, or an increase in the total effective interest rate from 3.7% to 5.2%, would increase our annual interest expense by approximately \$0.9 million and would have decreased our annual cash flow from operations by approximately \$0.9 million.

Our only other debt are finance lease obligations totaling \$6.3 million. These lease obligations all 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, 2019. 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, 2019. 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, 2019, 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, 2019, has issued an attestation report on the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

As part of the implementation of ASU 2016-02, Leases, as of January 1, 2019, the Company implemented changes to internal controls to meet the standard's reporting and disclosure requirements. Management believes that these controls were effective as of December 31, 2019. There were no other changes in our internal control over financial reporting during the three months ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Forward Air Corporation's internal control over financial reporting as of December 31, 2019, 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, 2019, 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, 2019 and 2018, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, 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 February 24, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP

Atlanta, Georgia
February 24, 2020

Item 9B. Other Information

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 2020 Annual Meeting of Shareholders (the “2020 Proxy Statement”). The 2020 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2019.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2020 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 2020 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 2020 Proxy Statement.

Item 14. Principle Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2020 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: February 24, 2020

Forward Air Corporation

By: /s/ Michael J. Morris

Michael J. Morris

Chief Financial Officer and Treasurer

(Principal Financial Officer and Duly Authorized Officer)

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

<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)	February 24, 2020
<u>/s/ Michael J. Morris</u> Michael J. Morris	Chief Financial Officer and Treasurer (Principal Financial Officer)	February 24, 2020
<u>/s/ R. Craig Carlock</u> R. Craig Carlock	Lead Director	February 24, 2020
<u>/s/ Ronald W. Allen</u> Ronald W. Allen	Director	February 24, 2020
<u>/s/ Ana B. Amicarella</u> Ana B. Amicarella	Director	February 24, 2020
<u>/s/ Valerie A. Bonebrake</u> Valerie A. Bonebrake	Director	February 24, 2020
<u>/s/ C. Robert Campbell</u> C. Robert Campbell	Director	February 24, 2020
<u>/s/ C. John Langley, Jr.</u> C. John Langley, Jr.	Director	February 24, 2020
<u>/s/ G. Michael Lynch</u> G. Michael Lynch	Director	February 24, 2020
<u>/s/ Laurie A. Tucker</u> Laurie A. Tucker	Director	February 24, 2020
<u>/s/ W. Gil West</u> W. Gil West	Director	February 24, 2020

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, 2019

Forward Air Corporation

Greeneville, Tennessee

Forward Air Corporation

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

Index to Financial Statements and Financial Statement Schedule

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

	<u>Page No.</u>
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<u>Consolidated Balance Sheets — December 31, 2019 and 2018</u>	<u>6</u>
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The following financial statement schedule of Forward Air Corporation is included as a separate section of this report.

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

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Forward Air Corporation (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), Forward Air Corporation's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Adoption of ASC 842, *Leases*

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASC 842, *Leases*.

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 Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Self-Insurance Loss Reserves

Description of the Matter The liability for self-insurance loss reserves totaled \$66.2 million at December 31, 2019 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 Sheets. 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 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 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.

Accounting for Acquisitions

Description of the Matter During 2019, the Company acquired certain net assets of FSA Logistix (“FSA”) and O.S.T. Logistics, Inc. and O.S.T. Trucking Co., Inc. (together referred to as “O.S.T.”) for total net consideration of \$39 million and a potential earnout of up to \$15 million, as disclosed in Note 2 to the consolidated financial statements. These transactions were accounted for as business combinations.

Auditing the Company’s accounting for its business combinations was complex due to the significant estimation required by management to determine the fair value of the acquired assets and liabilities, especially the customer relationship intangible assets of \$23.6 million and the contingent consideration liability of \$11.8 million. The significant estimation was primarily due to the complexity of the valuation models used by management to measure the fair value of the customer-related intangible assets and the contingent consideration liability and the sensitivity of the respective fair values to changes in the significant underlying assumptions. The Company used a discounted cash flow model to measure the customer-related intangible assets. The significant assumptions used to estimate the value of the intangible assets included discount rates and certain assumptions that form the basis of the forecasted results (e.g., revenue growth rates, operating profit margin and customer attrition rates). The Company used a Monte Carlo simulation to measure the contingent consideration. The significant assumptions used in the simulation included volatility, discount rate, revenue projections and timing of expected payments. These significant assumptions are forward looking and could be affected by future economic and market conditions.

*How We
Addressed the
Matter in Our
Audit*

We tested the Company's controls over its accounting for acquisitions. For example, we tested controls over the recognition and measurement of consideration transferred (including contingent consideration) and customer-related intangible assets acquired, including management review controls over the valuation models and underlying assumptions used to develop such estimates.

To test the estimated fair value of the customer-related intangible assets, we performed audit procedures that included, among others, evaluating the Company's use of the income approach (the excess earnings method) and testing the significant assumptions used in the model, including the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current industry, market and economic trends, assumptions used to value similar assets in other acquisitions, historical results of the acquired business, and other guidelines used by companies within the same industry. We involved our valuation specialists to assist in our evaluation of the significant assumptions and to assist with reconciling the prospective financial information with other prospective financial information prepared by the Company. To test the fair value of the contingent consideration, we performed audit procedures that included, among others, assessing the terms of the arrangement, including the conditions that must be met for the contingent consideration to become payable. We also involved our valuation specialists to assist in evaluating the Company's use of a Monte Carlo simulation and testing the significant assumptions used in the model, including the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current industry, market and economic trends and to the Company's budgets and forecasts. For the customer-related intangible assets, we also performed a sensitivity analysis of the significant assumptions to evaluate the change in the fair values that would result from changes in the assumptions.

/s/ Ernst & Young LLP

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

Atlanta, Georgia

February 24, 2020

Forward Air Corporation
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 64,749	\$ 25,657
Accounts receivable, less allowance of \$2,101 in 2019 and \$2,081 in 2018	150,197	156,359
Inventories	2,132	2,240
Prepaid expenses and other current assets	15,418	11,763
Income tax receivable	3,822	5,063
Total current assets	236,318	201,082
Property and equipment:		
Land	16,928	16,928
Buildings	65,919	65,919
Equipment	322,029	311,573
Leasehold improvements	16,852	14,165
Construction in progress	5,009	5,315
Total property and equipment	426,737	413,900
Less accumulated depreciation and amortization	213,706	204,005
Net property and equipment	213,031	209,895
Operating lease right-of-use assets	151,657	—
Goodwill and other acquired intangibles:		
Goodwill	221,105	199,092
Other acquired intangibles, net of accumulated amortization of \$91,879 in 2019 and \$80,666 in 2018	127,798	113,661
Total net goodwill and other acquired intangibles	348,903	312,753
Other assets	40,969	36,485
Total assets	\$ 990,878	\$ 760,215

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

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

	December 31, 2019	December 31, 2018
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 29,986	\$ 34,630
Accrued payroll and related items	16,210	16,959
Insurance and claims accruals	16,366	12,648
Payables to owner-operators	14,246	7,424
Collections on behalf of customers	315	261
Other accrued expenses	2,685	2,492
Current portion of finance lease obligations	1,421	309
Current portion of operating lease obligations	50,615	—
Current portion contingent consideration	5,320	—
Total current liabilities	137,164	74,723
Finance lease obligations, less current portion	4,909	54
Operating lease obligations, less current portion	101,525	—
Long-term debt, less current portion	67,340	47,281
Other long-term liabilities	58,816	47,739
Deferred income taxes	43,942	37,174
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, \$0.01 par value: Authorized shares - 5,000,000; no shares issued	—	—
Common stock, \$0.01 par value: Authorized shares - 50,000,000; issued and outstanding shares - 27,850,233 in 2019 and 28,534,935 in 2018	279	285
Additional paid-in capital	226,869	210,296
Retained earnings	350,034	342,663
Total shareholders' equity	577,182	553,244
Total liabilities and shareholders' equity	\$ 990,878	\$ 760,215

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, 2019	December 31, 2018	December 31, 2017
Operating revenue	\$ 1,410,395	\$ 1,320,886	\$ 1,169,346
Operating expenses:			
Purchased transportation	639,007	613,636	545,091
Salaries, wages and employee benefits	335,163	300,230	265,842
Operating leases	82,010	75,677	63,799
Depreciation and amortization	42,109	42,183	41,055
Insurance and claims	45,440	35,180	29,578
Fuel expense	24,221	23,121	16,542
Other operating expenses	123,622	108,828	98,682
Total operating expenses	<u>1,291,572</u>	<u>1,198,855</u>	<u>1,060,589</u>
Income from operations	118,823	122,031	108,757
Other expense:			
Interest expense	(2,711)	(1,783)	(1,209)
Other, net	(1)	(2)	(11)
Total other expense	<u>(2,712)</u>	<u>(1,785)</u>	<u>(1,220)</u>
Income before income taxes	116,111	120,246	107,537
Income taxes	29,012	28,195	20,282
Net income and comprehensive income	<u>\$ 87,099</u>	<u>\$ 92,051</u>	<u>\$ 87,255</u>
Net income per share:			
Basic	<u>\$ 3.06</u>	<u>\$ 3.14</u>	<u>\$ 2.90</u>
Diluted	<u>\$ 3.04</u>	<u>\$ 3.12</u>	<u>\$ 2.89</u>
Dividends per share:	<u>\$ 0.72</u>	<u>\$ 0.63</u>	<u>\$ 0.60</u>

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

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2016	30,090	\$ 301	\$ 179,512	\$ 318,533	\$ 498,346
Net income and comprehensive income for 2017	—	—	—	87,255	87,255
Exercise of stock options	206	2	7,270	—	7,272
Conversion of deferred stock	10	—	—	—	—
Common stock issued under employee stock purchase plan	10	—	458	—	458
Share-based compensation	—	—	8,103	—	8,103
Dividends (\$0.60 per share)	—	—	4	(18,056)	(18,052)
Cash settlement of share-based awards for minimum tax withholdings	(35)	—	—	(1,700)	(1,700)
Share repurchases	(948)	(9)	—	(48,974)	(48,983)
Vesting of previously non-vested shares	121	1	(1)	—	—
Balance at December 31, 2017	29,454	295	195,346	337,058	532,699
Net income and comprehensive income for 2018	—	—	—	92,051	92,051
Exercise of stock options	95	1	3,920	—	3,921
Other	—	—	—	(30)	(30)
Common stock issued under employee stock purchase plan	9	—	479	—	479
Share-based compensation	—	—	10,549	—	10,549
Dividends (\$0.63 per share)	—	—	3	(18,430)	(18,427)
Cash settlement of share-based awards for minimum tax withholdings	(33)	(1)	—	(1,871)	(1,872)
Share repurchases	(1,109)	(11)	—	(66,115)	(66,126)
Vesting of previously non-vested shares	119	1	(1)	—	—
Balance at December 31, 2018	28,535	285	210,296	342,663	553,244
Net income and comprehensive income for 2019	—	—	—	87,099	87,099
Exercise of stock options	99	1	4,049	—	4,050
Other	—	—	(1)	(1)	(2)
Common stock issued under employee stock purchase plan	12	—	614	—	614
Share-based compensation	—	—	11,907	—	11,907
Dividends (\$0.72 per share)	—	—	6	(20,500)	(20,494)
Cash settlement of share-based awards for minimum tax withholdings	(50)	—	—	(3,032)	(3,032)
Share repurchases	(915)	(9)	—	(56,195)	(56,204)
Vesting of previously non-vested shares	169	2	(2)	—	—
Balance at December 31, 2019	27,850	\$ 279	\$ 226,869	\$ 350,034	\$ 577,182

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, 2019	December 31, 2018	December 31, 2017
Operating activities:			
Net income	\$ 87,099	\$ 92,051	\$ 87,255
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	42,109	42,183	41,055
Change in fair value of earn-out liability	(33)	(455)	—
Share-based compensation	11,907	10,549	8,103
Loss (gain) on disposal of property and equipment	1,121	(171)	1,281
Provision for loss on receivables	761	139	1,814
Provision for revenue adjustments	3,342	3,628	3,055
Deferred income taxes	6,768	8,094	(12,068)
Changes in operating assets and liabilities			
Accounts receivable	2,059	(12,178)	(33,457)
Prepaid expenses and other assets	(6,098)	(2,565)	(1,204)
Income taxes	1,284	(1,256)	(3,480)
Accounts payable and accrued expenses	8,700	12,535	11,010
Net cash provided by operating activities	159,019	152,554	103,364
Investing activities:			
Proceeds from disposal of property and equipment	3,294	7,059	2,440
Purchases of property and equipment	(28,209)	(42,293)	(38,265)
Acquisition of business, net of cash acquired	(39,000)	(19,987)	(23,140)
Other	—	(242)	(222)
Net cash used in investing activities	(63,915)	(55,463)	(59,187)
Financing activities:			
Payments of finance lease obligations	(946)	(302)	(42,790)
Proceeds from senior credit facility	20,000	7,000	55,000
Proceeds from exercise of stock options	4,050	3,921	7,272
Payments of cash dividends	(20,494)	(18,427)	(18,052)
Repurchase of common stock (repurchase program)	(56,204)	(66,126)	(48,983)
Common stock issued under employee stock purchase plan	614	479	458
Cash settlement of share-based awards for tax withholdings	(3,032)	(1,872)	(1,700)
Net cash used in financing activities	(56,012)	(75,327)	(48,795)
Net increase (decrease) in cash	39,092	21,764	(4,618)
Cash at beginning of year	25,657	3,893	8,511
Cash at end of year	\$ 64,749	\$ 25,657	\$ 3,893

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

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019
(In thousands, except share and per share data)

1. Accounting Policies

Basis of Presentation and Principles of Consolidation

Forward Air Corporation's ("the Company") services are classified into three principal reportable segments: Expedited Freight, Intermodal and Pool Distribution ("Pool") (See note 10).

Through the Expedited Freight segment, the Company operates 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.

The Company's Intermodal segment provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Intermodal also offers dedicated contract and Container Freight Station ("CFS") warehouse and handling services. Today, Intermodal operates primarily in the Midwest and Southeast, with a smaller operational presence in the Southwest United States.

In the Pool Distribution segment, the Company provides high-frequency handling and distribution of time sensitive product to numerous destinations within a specific geographic region. The Company offers this service throughout the Mid-Atlantic, Southeast, Midwest and Southwest United States.

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

Use of Estimates

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

Allowance for Doubtful Accounts

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

Allowance for Revenue Adjustments

The Company's allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments are recorded in revenue from operations and generally arise: (1) when the

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019

(In thousands, except share and per share data)

sales department contemporaneously grants small rate changes ("spot quotes") to customers that differ from the standard rates in the system; (2) when freight requires dimensionalization or is reweighed resulting in a different required rate; (3) when billing errors occur; and (4) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. The Company monitors the manual revenue adjustments closely through the employment of various controls that are in place to ensure that revenue recognition is not compromised. During 2019, average revenue adjustments per month were approximately \$278 on average revenue per month of approximately \$117,533 (0.2% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, the Company prepares an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, the Company establishes an allowance covering approximately 35-105 days (dependent upon experience in the last twelve months) of average revenue adjustments, adjusted for rebates and billing errors. The lag is periodically adjusted based on actual historical experience. Additionally, the average amount of revenue adjustments per month can vary in relation to the level of sales or based on other factors (such as personnel issues that could result in excessive manual errors or in excessive spot quotes being granted). Both of these significant assumptions are continually evaluated for appropriateness.

Self-Insurance Loss Reserves

Under U.S. Department of Transportation ("DOT") regulations, the Company is liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on the Company's behalf. Additionally, from time to time, the drivers employed and engaged by the third-party transportation carriers the Company contracts with are involved in accidents, which may result in serious personal injuries. The resulting types and/or amounts of damages may be excluded by or exceed the amount of insurance coverage maintained by the contracted carrier. Although these drivers are not Company employees, all of these drivers are employees, owner-operators, or independent contractors working for carriers and, from time to time, claims may be asserted against us for their actions, or for the Company's actions in retaining them.

The Company currently maintains liability insurance coverage that it believes is adequate to cover third-party claims. The Company has a self-insured retention ("SIR") of \$3,000 per occurrence for vehicle and general liability claims and will be responsible for any damages and personal injuries below that self-insured amount. The Company is also responsible for varying annual aggregate deductible amounts of liability for claims in excess of the SIR/deductible. For the policy year that began April 1, 2019, the Company had an annual \$6,000 aggregate deductible for claims between \$3,000 and \$5,000. The Company also had a \$2,500 aggregate deductible for claims between \$5,000 and \$10,000. As a result, the Company is responsible for the first \$7,500 per claim, until it meets the \$6,000 aggregate deductible for claims between \$3,000 and \$5,000 and the \$2,500 aggregate deductible for claims between \$5,000 and \$10,000. This insurance covers vehicle liability and general liability claims for the Expedited Freight, excluding its truckload operation, and Pool Distribution segments. Truckload maintains separate liability insurance coverage for claims between \$0 and \$5,000, and for the policy year that began April 1, 2019, truckload had no SIR for claims in this layer. Intermodal maintains separate liability insurance coverage for all liability claims. For the policy year that began April 1, 2019, Intermodal had an SIR of \$50 for each claim. The Company also maintains brokerage liability insurance coverage to cover third-party claims for damages and personal injuries arising from accidents with drivers employed and engaged by third-party transportation carriers, and this policy has an SIR of \$100 for each claim.

The Company may also be subject to claims for workers' compensation. The Company maintains workers' compensation insurance coverage that it believes is adequate to cover such claims. The Company has a SIR of approximately \$350 for each such claim, except in Ohio, where it is a qualified self-insured entity with an approximately \$500 SIR.

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 Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019

(In thousands, except share and per share data)

known claims and by performing actuarial analysis to determine an estimate of probable losses on claims incurred but not reported. Such losses should be realized immediately as the events underlying the claims have already occurred as of the balance sheet dates.

The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and the Company's assumptions about the emerging trends, management develops 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. The Company utilizes quarterly actuarial analyses to evaluate open claims and estimate the ongoing development exposure.

As of December 31, 2019 and 2018, the Company had insurance reserves of \$66,176 and \$54,228, respectively, which included reserves in excess of the SIR expected to be reimbursed from third-party insurance carriers. The long-term portion of this liability is \$49,810, which is included in "Other long-term liabilities," and the remainder is included in "Insurance and Claims accruals" on the Company's Balance Sheets.

As of December 31, 2019, the Company recognized an insurance proceeds receivable and claims payable of \$34,091 for open vehicle and workers' compensation claims in excess of the Company's stop-loss limits. As of December 31, 2018, the Company recognized an insurance proceeds receivable and claims payable of \$28,520 for open vehicle and workers' compensation claims in excess of the Company's stop-loss limits. These balances are recorded in other assets and other long-term liabilities, respectively, in the Company's consolidated balance sheets.

Revenue and Expense Recognition

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

Revenue is categorized by line of business as the Company believes this best depicts the nature, timing and amount of revenue and cash flows. For all lines of business, the Company reports revenue on a gross basis as it is the principal in the transaction. In addition, the Company has discretion in setting its service pricing and as a result, the amount earned for these services varies. The Company also has the discretion to select its drivers and other vendors for the services provided to its customers. These factors, discretion in setting prices and discretion in selecting drivers and other vendors, further support reporting revenue on a gross basis. See additional discussion in the Recent Accounting Pronouncements section of this Note and in Note 10, Segment Reporting.

All expenses are recognized when incurred. Purchased transportations expenses are typically due to the owner-operator or third-party transportation provider once the delivery of a shipment and related services is completed. To ensure these expenses are properly recognized when incurred, these costs are recognized over time to coincide with the service performance.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019
(In thousands, except share and per share data)

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. The Company does not hold any restricted cash as of December 31, 2019 or 2018.

Inventories

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

Property and Equipment

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

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

The Company evaluates the reasonableness of the useful lives and salvage values of its assets on an ongoing basis. Results of this evaluation are described in Note 2, Acquisitions, Goodwill and Other Long-Lived Assets.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. Results of impairment testing are described in Note 2, Acquisitions, Goodwill and Other Long-Lived Assets.

When the criteria have been met for long-lived assets to be classified as held for sale, the assets are recorded at the lower of carrying value or fair value (less selling costs).

Leases

The Company holds leases classified as both operating and finance. As of January 1, 2019, the Company adopted ASU 2016-02, Leases, which required the Company to recognize a right-of-use asset and a corresponding lease liability on its balance sheet for most leases classified as operating leases under previous guidance. The Company continues to record a right-of-use asset and corresponding lease liability for leases classified as finance leases under the previous guidance. This standard was adopted using the modified retrospective approach as of January 1, 2019 and comparative financial statements have not been presented as allowed per the guidance. As a result, for leases and subleases with terms greater than 12 months, the Company recorded the related right-of-use asset as the balance of the related lease liability, adjusted for any prepaid or accrued lease payments. The lease liability was recorded at the present value of the lease payments over the term. See further discussion in Note 6, Leases.

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Business Combinations

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, the Company values that consideration as of the acquisition date and it is recorded to goodwill.

Once the acquired assets and assumed liabilities are identified, the fair values 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 fair values 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 and Other Intangible Assets

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

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

Software Development

Costs related to software developed or acquired for internal use are expensed or capitalized based on the applicable stage of software development and any capitalized costs are amortized over their estimated useful life. The Company typically uses a five-year straight line amortization for the capitalized amounts of software development costs. As of December 31, 2019 and 2018 the Company had \$24,944 and \$21,492, respectively, of capitalized software development costs included in property and equipment. Accumulated amortization on these assets was \$17,190 and \$15,611 at December 31, 2019 and 2018, respectively. Included in depreciation expense is amortization of capitalized software development costs. Amortization of capitalized software development for the years ended December 31, 2019, 2018 and 2017 was \$1,870, \$1,905 and \$1,816 respectively.

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As of December 31, 2019 the estimated amortization expense for the next five years of capitalized software development costs is as follows:

2020	\$	1,980
2021		1,649
2022		1,370
2023		1,098
2024		740
Total	\$	<u>6,837</u>

Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense and operating expenses, respectively. See additional discussion in the Note 5, Income Taxes.

Net Income Per Share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The Company's non-vested shares contain non-forfeitable rights to dividends and are therefore considered participating securities for purposes of computing net income per share pursuant to the two-class method. Net income allocated to participating securities was \$945 in 2019, \$881 in 2018 and \$700 in 2017. Net losses are not allocated to participating securities in periods in which the Company incurs a net loss. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding after considering the additional dilution from any dilutive non-participating securities. The Company's non-participating securities include options and performance shares.

Share-Based Payments

The Company's general practice has been to make a single annual grant of share-based compensation in the first quarter to key employees and to make other grants only in connection with new employment or promotions. Forms of share-based compensation granted to employees by the Company include stock options, non-vested shares of common stock ("non-vested shares"), and performance shares. The Company also typically makes a single annual grant of non-vested shares to non-employee directors in conjunction with their annual election to the Company's Board of Directors or at the time of their appointment to the Board of Directors.

Share-based compensation is based on the grant date fair value of the instrument and is recognized ratably over the requisite service period, or vesting period. Stock options typically expire seven years from the grant date and vest ratably over a three-year period. The Company uses the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. All share-based compensation expense is recognized in salaries, wages and employee benefits.

See Note 4, Shareholders' Equity, Stock Options and Net Income per Share for additional discussion.

Recent Accounting Pronouncements

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In August 2018, the FASB issued ASU 2018-15, Intangibles Goodwill and Other Internal Use Software (Subtopic 350-40): Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this standard beginning with its fourth quarter ending December 31, 2019. The adoption of this standard did not have a material impact on the Company's financial statements.

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

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize a right-of-use asset with a corresponding lease liability on their balance sheet for most leases classified as operating leases under previous guidance. Lessors are required to recognize a net lease investment for most leases. Additional qualitative and quantitative disclosures are also required. The Company applied the transition requirements as of January 1, 2019. As of December 31, 2019, the Company recorded right-of-use lease assets and corresponding lease liabilities of \$151,657 and \$152,140, respectively. There was no impact to the Company's Statements of Comprehensive Income or Statements of Cash Flows as a result of the adoption. In addition, comparative financial statements have not been presented as allowed per the guidance. Changes to processes and internal controls to meet the standard's reporting and disclosure requirements have also been implemented. See Note 6, Leases, for additional discussion over this new standard, including the impact on the Company's financial statements.

2. Acquisitions, Goodwill and Other Long-Lived Assets

Expedited Freight Acquisitions

As part of the Company's strategy to expand final mile pickup and delivery operations, in April 2019, the Company acquired certain assets and liabilities of FSA Network, Inc., doing business as FSA Logistix ("FSA"), for \$27,000 and a potential earnout of up to \$15,000. This acquisition provides an opportunity for the Expedited Freight segment to expand its final mile service offering into additional geographic markets, form relationships with new customers, add volumes to existing locations and generate synergies with LTL operations. This transaction was funded using cash flows from operations. The assets, liabilities, and operating results of this acquisition have been included in the Company's consolidated financial statements from the date of acquisition and have been assigned to the Expedited Freight reportable segment.

The acquisition agreement provides the sellers an earnout opportunity of up to \$15,000 based on the achievement of certain revenue milestones over two one-year periods, beginning May 1, 2019. Upon acquisition the fair value of the earn-out liability was \$11,803 and is included in other current and other long-term liabilities in the opening condensed consolidated balance sheet. The earn-out liability was classified as level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("the FASB Codification") and the value was determined based on estimated revenues and the probability of achieving them. The fair value was based on the 2-year performance of FSA's acquired customer revenue and was estimated using a Monte Carlo simulation. The initial and current weighted average assumptions used in the Monte Carlo simulation are summarized in the following table:

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	FSA Earn-out	
	April 21, 2019	December 31, 2019
Risk-free rate	2.9%	2.2%
Revenue discount rate	4.4%	4.4%
Revenue volatility	3.0%	5.0%

Since acquisition, the earn-out fair value decreased \$33 from \$11,803 to \$11,770, \$5,320 of which is classified as a current liability. The change in fair value flows through the other operating expenses line item as is based on changes in expected future cash flows. As of December 31, 2019, the expected total earn-out to be paid is \$12,170. The current portion of the earn-out is expected to be paid in the second quarter of 2020.

Intermodal Acquisitions

As part of the Company's strategy to expand its Intermodal operations, in May 2017, the Company acquired certain assets of Atlantic Trucking Company, Inc., Heavy Duty Equipment Leasing, LLC, Atlantic Logistics, LLC and Transportation Holdings, Inc. (collectively, "Atlantic") for \$22,500 and an earnout of \$135 paid in the fourth quarter of 2018. The acquisition was funded by a combination of cash on hand and funds from the revolving credit facility. Atlantic was a privately held provider of intermodal, drayage and related services headquartered in Charleston, South Carolina. It also has terminal operations in Atlanta, Charlotte, Houston, Jacksonville, Memphis, Nashville, Norfolk and Savannah. These locations allow Intermodal to significantly expand its footprint in the southeastern region. In October 2017, the Company acquired certain assets of Kansas City Logistics, LLC ("KCL") for \$640 and an earnout of \$100 paid in the second quarter of 2018. KCL provides CST with an expanded footprint in the Kansas and Missouri markets.

In July 2018, the Company acquired certain assets of Multi-Modal Transport Inc. ("MMT") for \$3,737 and in October 2018, the Company acquired certain assets of Southwest Freight Distributors, Inc. ("Southwest") for \$16,250. Southwest is a Dallas, Texas based premium drayage provider. The MMT acquisition provides Intermodal with an expanded footprint in the Minnesota, North Dakota, South Dakota, Iowa and Wisconsin markets, and the Southwest acquisition provides an expanded footprint in Texas. Both MMT and Southwest also provide access to several strategic customer relationships.

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. is a drayage company and provides the Intermodal segment with an expanded footprint on the East Coast, with locations in the Pennsylvania, Maryland, Virginia, South Carolina and Georgia markets.

These transactions were funded using cash flows from operations. The assets, liabilities, and operating results of these collective acquisitions have been included in the Company's consolidated financial statements from their dates of acquisition and have been included in the Intermodal reportable segment.

Allocations of Purchase Prices

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

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	Atlantic	KCL	MMT	Southwest	FSA	O.S.T.
	May 7, 2017	October 22, 2017	July 25, 2018	October 28, 2018	April 21, 2019	July 14, 2019
Tangible assets:						
Cash	\$ —	\$ —	\$ —	\$ —	202	\$ —
Other receivables	—	—	—	—	1,491	—
Property and equipment	1,821	223	81	933	40	10,371
Other lease right-of-use assets	—	—	—	—	3,209	1,672
Total tangible assets	1,821	223	81	933	4,942	12,043
Intangible assets:						
Non-compete agreements	1,150	6	43	650	900	850
Customer relationships	13,400	234	1,659	9,200	17,900	5,700
Goodwill	6,719	277	1,954	5,467	19,963	2,050
Total intangible assets	21,269	517	3,656	15,317	38,763	8,600
Total assets acquired	23,090	740	3,737	16,250	43,705	20,643
Liabilities assumed:						
Current liabilities	590	100	—	—	8,466	—
Other liabilities	—	—	—	—	5,030	—
Operating lease obligations	—	—	—	—	3,209	1,672
Finance lease obligations	—	—	—	—	—	6,971
Total liabilities assumed	590	100	—	—	16,705	8,643
Net assets acquired	\$ 22,500	\$ 640	\$ 3,737	\$ 16,250	\$ 27,000	\$ 12,000

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

	Atlantic	KCL	MMT	Southwest	FSA	O.S.T.
Customer relationships	15 years	15 years	15 years	10 years	15 years	10 years
Non-compete agreements	5 years	2 years	4 years	3 years	5 years	3 years

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

Goodwill

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2019. The first step of the goodwill impairment test is the Company's assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, including goodwill. When performing the qualitative assessment, the Company considers the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, the Company believes it more likely than not that the fair value of a

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reporting unit is less than the reporting unit's carrying amount, or periodically as deemed appropriate by management, the Company will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach.

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

If the estimation of fair value indicates the impairment potentially exists, the Company will then measure the amount of the impairment, if any. Changes in strategy or market conditions could significantly impact these fair value estimates and require adjustments to recorded asset balances.

Goodwill is allocated to reporting units that are expected to benefit from the business combinations generating the goodwill. As of June 30, 2019, the Company had five reporting units - Expedited LTL, Truckload, Final Mile, Intermodal and Pool. The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2019 and no impairment charges were required. See discussion over segments in Note 10, Segment Reporting.

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The following is a summary of the changes in goodwill by reporting unit for the year ended December 31, 2019. Approximately \$141,961 of goodwill is deductible for tax purposes.

	Beginning Balance, December 31, 2018	FSA Acquisition	O.S.T. Acquisition	Ending Balance, December 31, 2019
<u>Expedited LTL</u>				
Goodwill	97,593	—	—	97,593
Accumulated Impairment	—	—	—	—
<u>TLS</u>				
Goodwill	45,164	—	—	45,164
Accumulated Impairment	(25,686)	—	—	(25,686)
<u>Final Mile</u>				
Goodwill	—	19,963	—	19,963
Accumulated Impairment	—	—	—	—
<u>Intermodal</u>				
Goodwill	76,615	—	2,050	78,665
Accumulated Impairment	—	—	—	—
<u>Pool</u>				
Goodwill	12,359	—	—	12,359
Accumulated Impairment	(6,953)	—	—	(6,953)
<u>Total</u>				
Goodwill	231,731	19,963	2,050	253,744
Accumulated Impairment	(32,639)	—	—	(32,639)
	<u>199,092</u>	<u>19,963</u>	<u>2,050</u>	<u>221,105</u>

Other Acquired Intangibles

Through acquisitions, the Company acquired customer relationships, non-compete agreements and trade names having weighted-average useful lives of 15.4, 4.7 and 4.0 years, respectively. Amortization expense on acquired customer relationships, non-compete agreements and trade names for each of the years ended December 31, 2019, 2018 and 2017 was \$11,213, \$9,138 and \$10,193, respectively.

As of December 31, 2019, definite-lived intangible assets are comprised of the following:

	Acquired Intangibles	Accumulated Amortization	Accumulated Impairment	Net Acquired Intangibles
Customer relationships	\$ 227,826	\$ 86,027	\$ 16,501	\$ 125,298
Non-compete agreements	6,852	4,352	—	2,500
Trade name	1,500	1,500	—	—
Total	<u>\$ 236,178</u>	<u>\$ 91,879</u>	<u>\$ 16,501</u>	<u>\$ 127,798</u>

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As of December 31, 2018, definite-lived intangible assets are comprised of the following:

	Acquired Intangibles	Accumulated Amortization	Accumulated Impairment	Net Acquired Intangibles
Customer relationships	\$ 204,226	\$ 75,585	\$ 16,501	\$ 112,140
Non-compete agreements	5,102	3,581	—	1,521
Trade name	1,500	1,500	—	—
Total	<u>\$ 210,828</u>	<u>\$ 80,666</u>	<u>\$ 16,501</u>	<u>\$ 113,661</u>

The estimated amortization expense for the next five years on definite-lived intangible assets as of December 31, 2019 is as follows:

	2020	2021	2022	2023	2024
Customer relationships	\$ 11,113	\$ 10,970	\$ 10,770	\$ 10,422	\$ 10,084
Non-compete agreements	949	901	415	180	56
Total	<u>\$ 12,062</u>	<u>\$ 11,871</u>	<u>\$ 11,185</u>	<u>\$ 10,602</u>	<u>\$ 10,140</u>

Additionally, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. The Company estimates fair value using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To estimate fair value, the Company uses cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believes the level and timing of cash flows appropriately reflected market participant assumptions. The Company noted no impairment indicators for its definite-lived intangibles during the year ended December 31, 2019. In addition, no impairment charges were recorded for definite-lived intangibles for the years ended December 31, 2019, 2018 and 2017.

Other Long-Lived Assets

The Company evaluates the reasonableness of the useful lives and salvage values of its assets on an ongoing basis. During the third quarter of 2019, the Company deemed it appropriate to extend the average useful life of its trailers from 7 to 10 years and its tractors from 5 to 10 years. In addition, management reduced the average salvage value of its tractors from 25% to 10%. No changes were made to trailer salvage values. These changes in estimates were made to assets currently owned and originally purchased new since assets purchased used were assigned individual useful lives and salvage values based on their age and condition at purchase. This change in estimate was made on a prospective basis beginning on July 1, 2019. The impact of this study on the year ended December 31, 2019 was a \$2,700 reduction in depreciation. Depreciation expense for each of the three years ended December 31, 2019, 2018 and 2017 was \$30,896, \$33,045 and \$30,862 respectively.

In addition, management recorded a \$1,200 reserve for tractors during the year ended December 31, 2019. This is recorded in other operating expenses in the Company's Consolidated Statements of Comprehensive Income.

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3. Debt Obligations

Credit Facilities

On September 29, 2017, the Company entered into a five-year senior unsecured revolving credit facility (the “Facility”) with a maximum aggregate principal amount of \$150,000, with a sublimit of \$30,000 for letters of credit and a sublimit of \$30,000 for swing line loans. The Facility may be increased by up to \$100,000 to a maximum aggregate principal amount of \$250,000 pursuant to the terms of the credit agreement, subject to the lenders’ agreement to increase their commitments or the addition of new lenders extending such commitments. Such increases to the Facility may be in the form of additional revolving credit loans, term loans or a combination thereof, and are contingent upon there being no events of default under the Facility and satisfaction of other conditions precedent and are subject to the other limitations set forth in the credit agreement.

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

Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility is based on the highest of (a) the federal funds rate (not less than 0%) plus 0.5%, (b) the administrative agent’s prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.3% to 0.8% with respect to the Facility depending on the Company’s ratio of consolidated funded indebtedness to earnings before interest, taxes, depreciation and amortization, as set forth in the credit agreement. Payments of interest for each loan that is based on the LIBOR Rate are due in arrears on the last day of the interest period applicable to such loan (with interest periods of one, two or three months being available, at the Company’s option). Payments of interest on loans that are not based on the LIBOR Rate are due on the last day of each quarter ended March 31, June 30, September 30 and December 31 of each year. All unpaid amounts of principal and interest are due at maturity. As of December 31, 2019, the Company had \$67,500 in borrowings outstanding under the revolving credit facility, \$13,970 utilized for outstanding letters of credit and \$68,530 of available borrowing capacity under the revolving credit facility. The interest rate on the outstanding borrowings under the facility was 3.2% at December 31, 2019.

The Facility contains customary events of default including, among other things, payment defaults, breach of covenants, cross acceleration to material indebtedness, bankruptcy-related defaults, material judgment defaults, and the occurrence of certain change of control events. The occurrence of an event of default may result in, among other things, the termination of the Facilities, acceleration of repayment obligations and the exercise of remedies by the lenders with respect to the Company and its subsidiaries that are party to the Facility. The Facility also contains financial covenants and other covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the required lenders, to engage in certain mergers, consolidations, asset sales, dividends and stock repurchases, investments, and other transactions or to incur liens or indebtedness in excess of agreed thresholds, as set forth in the credit agreement. As of December 31, 2019, the Company was in compliance with the aforementioned covenants.

Interest Payments

Cash interest payments during 2019, 2018 and 2017 were \$2,658, \$1,841 and \$1,193, respectively. No interest was capitalized during the years ended December 31, 2019, 2018 and 2017.

4. Shareholders' Equity, Stock Options and Net Income per Share

Preferred Stock

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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 each quarter of 2019 and the fourth quarter of 2018, the Company's Board of Directors declared a cash dividend of \$0.18 per share of Common Stock. During the first, second and third quarters of 2018 and each quarter of 2017, the Company's Board of Directors declared a cash dividend of \$0.15 per share of Common Stock. On February 4, 2020, the Company's Board of Directors declared a \$0.18 per share dividend that will be paid in the first quarter of 2020. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

Repurchase of Common Stock

On July 21, 2016, the Company's Board of Directors approved a stock repurchase authorization for up to 3,000 shares of the Company's common stock (the "2016 Repurchase Plan"). On February 5, 2019, our Board of Directors canceled the Company's 2016 Repurchase Plan and approved a new stock repurchase plan authorizing up to 5,000 shares of the Company's common stock (the "2019 Repurchase Plan") that shall remain in effect until such time as the shares authorized for repurchase are exhausted or the plan is canceled.

The Company is not obligated to repurchase any specific number of shares and may suspend or cancel the plan at any time. The amount and timing of any repurchases under the Company's new repurchase authorization will be at such prices as determined by management of the Company. Repurchases of common stock may also be made under a Rule 10b5-1 plan, which would permit common stock to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. Stock repurchases may be commenced or suspended from time to time for any reason.

Under these plans, during the year ended December 31, 2019, we repurchased 913 shares of Common Stock for \$56,204, or \$61.59 per share. As of December 31, 2019, 4,155 shares remain that may be repurchased.

Share-Based Compensation

In May 2016, with the approval of shareholders, the Company adopted the 2016 Omnibus Incentive Compensation Plan (the "Omnibus Plan") to reserve for issuance 2,000 common shares. Options issued under these plans have seven year terms and vest over a two to three-year period. With the adoption of the Omnibus Plan, no further awards will be issued under the 1999 Amended Plan. As of December 31, 2019, there were approximately 1,141 shares remaining available for grant under the Omnibus Plan.

Employee Activity - Stock Options

Stock option grants to employees generally expire seven years from the grant date and typically vest ratably over a three-year period. All forfeitures were recognized as they occurred. The Company historically used the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The Company did not make any stock option grants during the year ended December 31, 2019.

The following table contains the weighted-average assumptions used to estimate the fair value of options granted during the years ended December 31, 2018 and 2017. These assumptions are subjective and changes in these assumptions can materially affect the fair value estimate.

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	December 31, 2018	December 31, 2017
Expected dividend yield	1.1%	1.3%
Expected stock price volatility	24.4%	28.5%
Weighted average risk-free interest rate	2.7%	2.0%
Expected life of options (years)	6.1	5.9

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December 31, 2019

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The following table summarizes the Company's employee stock options outstanding as of December 31, 2019:

Range of Exercise Price	Number Outstanding (000)	Weighted- Average Remaining Contractual Life	Outstanding Weighted- Average Exercise Price	Number Exercisable (000)	Exercisable Weighted- Average Exercise Price
42.48 - 44.90	93	2.8	43.63	93	43.63
45.34 - 48.32	100	4.0	47.73	69	47.69
50.71 - 53.73	49	2.4	51.16	47	51.07
57.18 - 60.42	88	5.1	58.80	29	58.68
64.26 - 64.26	100	5.7	64.26	33	64.26
<u>\$ 42.48 - 64.26</u>	<u>430</u>	<u>4.2</u>	<u>\$ 53.33</u>	<u>271</u>	<u>\$ 50.08</u>

The following tables summarize the Company's employee stock option activity and related information for the years ended December 31, 2019, 2018 and 2017. The Company did not make any stock option grants during the year ended December 31, 2019.

	Year ended					
	December 31, 2019		December 31, 2018		December 31, 2017	
	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price
Outstanding at beginning of year	538	\$ 51	440	\$ 45	564	\$ 41
Granted	—	—	193	62	128	48
Exercised	(99)	43	(95)	41	(206)	35
Forfeited	(8)	54	—	—	(46)	46
Outstanding at end of year	<u>431</u>	<u>\$ 53</u>	<u>538</u>	<u>\$ 51</u>	<u>440</u>	<u>\$ 45</u>
Exercisable at end of year	<u>272</u>	<u>\$ 50</u>	<u>230</u>	<u>\$ 45</u>	<u>226</u>	<u>\$ 42</u>
Weighted-average fair value of options granted during the year	<u>\$ —</u>		<u>\$ 16</u>		<u>\$ 13</u>	
Aggregate intrinsic value for options exercised	<u>\$ 2,388</u>		<u>\$ 1,992</u>		<u>\$ 3,569</u>	
Average aggregate intrinsic value for options outstanding	<u>\$ 4,147</u>					
Average aggregate intrinsic value for exercisable options	<u>\$ 3,497</u>					

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Shared-based compensation for options	\$ 1,597	\$ 1,578	\$ 1,313
Tax benefit for option compensation	\$ 403	\$ 398	\$ 466
Unrecognized compensation cost for options	\$ 1,490		
Weighted average period over which unrecognized compensation will be recognized (years)	1.4		

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Employee Activity – Non-vested Shares

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

Non-vested share grants to employees vest ratably over a three-year period. The following tables summarize the Company's employee non-vested share activity and related information:

	Year ended					
	December 31, 2019		December 31, 2018		December 31, 2017	
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	315	\$ 55	227	\$ 47	222	\$ 45
Granted	117	59	202	60	126	48
Vested	(131)	61	(107)	56	(105)	45
Forfeited	(24)	57	(7)	52	(16)	47
Outstanding and non-vested at end of year	277	\$ 58	315	\$ 55	227	\$ 47
Aggregate grant date fair value	\$ 16,181		\$ 17,295		\$ 10,618	
Total fair value of shares vested during the year	\$ 7,954		\$ 6,040		\$ 5,040	

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Shared-based compensation for non-vested shares	\$ 8,001	\$ 6,874	\$ 5,045
Tax benefit for non-vested share compensation	\$ 2,016	\$ 1,732	\$ 1,791
Unrecognized compensation cost for non-vested shares	\$ 8,654		
Weighted average period over which unrecognized compensation will be recognized (years)	1.7		

Employee Activity – Performance Shares

The Company annually grants performance shares to key employees. Under the terms of the performance share agreements, following the end of a three-year performance period, the Company will issue to these employees a calculated number of common stock shares based on meeting certain performance targets. For shares granted during the year ended December 31, 2019, 50% of the performance share issuances will be based on meeting earnings before interest, taxes, depreciation and amortization ("EBITDA") per share targets and the remaining 50% of the performance share issuances will be based on the three-year performance of the Company's total shareholder return ("TSR") as compared to the TSR of a selected peer group. All performance shares granted during the years ended December 31, 2018 and 2017 were based on achieving total shareholder return targets. All forfeitures were recognized as they occurred.

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

The fair value of the performance shares granted based on the three year performance of the Company's total shareholder return was estimated using a Monte Carlo simulation. The following table contains the weighted-average assumptions used to estimate the fair value of performance shares granted using the Monte Carlo simulation. These assumptions are subjective and changes in these assumptions can materially affect the fair value estimate.

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Expected stock price volatility	23.4%	24.3%	24.7%
Weighted average risk-free interest rate	2.5%	2.2%	1.4%

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

	Year ended					
	December 31, 2019		December 31, 2018		December 31, 2017	
	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares (000)	Weighted- Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	65	\$ 58	69	\$ 58	80	\$ 55
Granted	30	61	18	72	27	56
Additional shares awarded based on performance	—	—	—	—	—	—
Vested	(23)	64	—	—	—	—
Forfeited	(10)	63	(22)	67	(38)	51
Outstanding and non-vested at end of year	62	\$ 62	65	\$ 58	69	\$ 58
Aggregate grant date fair value	\$ 3,870		\$ 3,795		\$ 3,980	

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Shared-based compensation for performance shares	\$ 1,176	\$ 1,263	\$ 1,045
Tax benefit for performance share compensation	\$ 296	\$ 318	\$ 371
Unrecognized compensation cost for performance shares	\$ 1,529		
Weighted average period over which unrecognized compensation will be recognized (years)	1.8		

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Employee Activity – Employee Stock Purchase Plan

Under the 2005 Employee Stock Purchase Plan (the "ESPP"), which has been approved by shareholders, the Company is authorized to issue up to a remaining 350 shares of common stock to employees of the Company. These shares may be issued at a price equal to 90% of the lesser of the market value on the first day or the last day of each six-month purchase period. Common stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions. The following table summarizes the Company's employee stock purchase activity and related information:

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Shares purchased by participants under plan	12	9	10
Average purchase price	\$ 51	\$ 51	\$ 46
Weighted-average fair value of each purchase right under the ESPP granted ¹	\$ 14	\$ 6	\$ 9
Share-based compensation for ESPP shares	\$ 163	\$ 59	\$ 92

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

Non-employee Director Activity – Non-vested Shares

In May 2006, the Company's shareholders approved the Company's 2006 Non-Employee Director Stock Plan (the "2006 Plan"). The Company's shareholders then approved the Company's Amended and Restated Non-Employee Director Stock Plan (the "Amended Plan") on May 22, 2007. The Amended Plan was then further amended and restated on December 17, 2008. Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director will automatically be granted an award (the "Annual Grant"), in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, Annual Grants will become vested and nonforfeitable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the Grant Date or (b) the first anniversary of the Grant Date so long as the non-employee director's service with the Company does not earlier terminate. Each director may elect to defer receipt of the shares under a non-vested share award until the director terminates service on the Board of Directors. If a director elects to defer receipt, the Company will issue deferred stock units to the director, which do not represent actual ownership in shares and the director will not have voting rights or other incidents of ownership until the shares are issued. However, the Company will credit the director with dividend equivalent payments in the form of additional deferred stock units for each cash dividend payment made by the Company. All forfeitures were recognized as they occurred.

In May 2016, with the approval of shareholders, the Company further amended the Amended Plan to reserve for issuance an additional 160 common shares, increasing the total number of reserved common shares under the Amended Plan to 360. As of December 31, 2019, there were approximately 116 shares remaining available for grant.

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

	Year ended					
	December 31, 2019		December 31, 2018		December 31, 2017	
	Non-vested Shares and Deferred Stock Units (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted- Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted- Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	15	\$ 59	11	\$ 52	16	\$ 44
Granted	16	62	16	59	14	52
Vested	(15)	64	(12)	52	(16)	44
Forfeited	—	—	—	—	(3)	49
Outstanding and non-vested at end of year	16	\$ 62	15	\$ 59	11	\$ 52
Aggregate grant date fair value	\$ 990		\$ 920		\$ 742	
Total fair value of shares vested during the year	\$ 970		\$ 615		\$ 809	

	Year ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Shared-based compensation for non-vested shares	\$ 970	\$ 775	\$ 608
Tax benefit for non-vested share compensation	\$ 244	\$ 195	\$ 216
Unrecognized compensation cost for non-vested shares	\$ 368		
Weighted average period over which unrecognized compensation will be recognized (years)	0.4		

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Net Income per Share

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Numerator:			
Net income and comprehensive income	\$ 87,099	\$ 92,051	\$ 87,255
Income allocated to participating securities	(945)	(881)	(700)
Numerator for basic and diluted income per share - net income	<u>86,154</u>	<u>91,170</u>	<u>86,555</u>
Denominator:			
Denominator for basic net income per share - weighted-average shares (in thousands)	28,195	29,076	29,867
Effect of dilutive stock options (in thousands)	82	80	64
Effect of dilutive performance shares (in thousands)	31	34	33
Denominator for diluted net income per share - adjusted weighted-average shares (in thousands)	<u>28,308</u>	<u>29,190</u>	<u>29,964</u>
Basic net income per share	<u>\$ 3.06</u>	<u>\$ 3.14</u>	<u>\$ 2.90</u>
Diluted net income per share	<u>\$ 3.04</u>	<u>\$ 3.12</u>	<u>\$ 2.89</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Anti-dilutive stock options (in thousands)	183	126	172
Anti-dilutive performance shares (in thousands)	—	16	—
Anti-dilutive non-vested shares and deferred stock units (in thousands)	—	9	—
Total anti-dilutive shares (in thousands)	<u>183</u>	<u>151</u>	<u>172</u>

5. Income Taxes

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

Tax Reform

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

Beginning on January 1, 2018, the U.S. Tax Act lowered the U.S. corporate income tax rate from 35% to 21% on our U.S. earnings from that date and beyond. The revaluation of our U.S. deferred tax assets and liabilities to the 21% corporate tax

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rate reduced our net U.S. deferred income tax liability by approximately \$15,901 which is reflected as a reduction in our income tax expense in our results for the quarter and year ended December 31, 2017.

On December 22, 2017, the SEC staff issued SAB 118 that allowed us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. As of December 22, 2018, the Company completed its accounting for all of the enactment-date income tax effects of the U.S. Tax Act. The Company made no adjustments to the provisional amounts recorded at December 31, 2017.

Income Taxes

The provision for income taxes consists of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current:			
Federal	\$ 17,319	\$ 16,572	\$ 28,556
State	4,925	3,559	4,043
	<u>22,244</u>	<u>20,131</u>	<u>32,599</u>
Deferred:			
Federal	5,561	7,194	(11,860)
State	1,207	870	(457)
	<u>6,768</u>	<u>8,064</u>	<u>(12,317)</u>
	<u>\$ 29,012</u>	<u>\$ 28,195</u>	<u>\$ 20,282</u>

The historical income tax expense differs from the amounts computed by applying the federal statutory rate of 21.0% for 2019 and 2018 and 35.0% for 2017 to income before income taxes as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tax expense at the statutory rate	\$ 24,383	\$ 25,252	\$ 37,637
State income taxes, net of federal benefit	4,843	3,685	2,339
Share-based compensation	(587)	(50)	(366)
Qualified stock options	34	12	32
Other permanent differences	189	150	252
Section 162(m) limitation	421	13	—
Deferred tax asset valuation allowance	—	35	78
Federal qualified property deductions	—	—	(2,075)
Federal income tax credits	(183)	(207)	(58)
Non-taxable acquisitions	—	—	(568)
Rate impact on deferred tax liabilities	—	—	(15,901)
Other	(88)	(695)	(1,088)
	<u>\$ 29,012</u>	<u>\$ 28,195</u>	<u>\$ 20,282</u>

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Accrued expenses	\$ 8,454	\$ 10,362
Allowance for doubtful accounts	539	535
Operating lease obligations	38,822	—
Share-based compensation	3,881	3,526
Accruals for income tax contingencies	185	217
Net operating loss carryforwards	1,089	2,906
Total deferred tax assets	52,970	17,546
Valuation allowance	(395)	(395)
Total deferred tax assets, net of valuation allowance	52,575	17,151
Deferred tax liabilities:		
Tax over book depreciation	26,816	25,606
Prepaid expenses deductible when paid	4,356	3,902
Operating lease right-of-use assets	38,822	—
Goodwill	16,036	13,913
Intangible assets	10,487	10,904
Total deferred tax liabilities	96,517	54,325
Net deferred tax liabilities	\$ (43,942)	\$ (37,174)

Total cash income tax payments, net of refunds, during fiscal years 2019, 2018 and 2017 were \$20,121, \$21,064 and \$36,110, respectively.

The Company has considered the weight of all available evidence in determining the need for a valuation allowance against each of the Company's various deferred tax assets and believes the Company's history of income is a significant weight of evidence supporting the realization of all of the Company's federal and most state deferred tax assets. In addition, the Company believes all existing deferred tax liabilities will reverse in a manner that generates enough taxable income to realize an offsetting amount of deferred tax assets. Given the historical positive performance of the Company for having more than ten consecutive years of profitability, the Company expects to fully utilize the vast majority of its deferred tax assets and has concluded that the only valuation allowance needed relates to state net operating loss carryforwards, as noted below.

As a result of the Towne acquisition, the Company has approximately \$2,000, \$10,258 and \$18,586 of federal net operating losses as of December 31, 2019, 2018 and 2017 respectively, that will expire between 2020 and 2030. The Company expects to be able to fully utilize these federal net operating losses before they expire.

At December 31, 2019, 2018 and 2017 the Company had state net operating loss carryforwards of \$16,926, \$18,148 and \$18,126, respectively that will expire between 2019 and 2030. Also, the use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations for certain separate legal entities will not generate sufficient taxable income to realize portions of these net operating loss benefits for state loss carryforwards. As a result, a valuation allowance has been provided for the state loss carryforwards for these specific legal entities. The valuation allowance on these state loss carryforwards did not change during 2019, and increased \$35 during 2018 and \$78 during 2017.

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Income Tax Contingencies

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

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	Liability for Unrecognized Tax Benefits
Balance at December 31, 2016	582
Reductions for settlement with state taxing authorities	(14)
Additions for tax positions of prior years	400
Additions for tax positions of current year	366
Balance at December 31, 2017	1,334
Reductions for settlement with state taxing authorities	(271)
Reductions for tax positions of prior years	(40)
Additions for tax positions of current year	35
Balance at December 31, 2018	1,058
Reductions for settlement with state taxing authorities	(99)
Additions for tax positions of current year	28
Balance at December 31, 2019	<u>\$ 987</u>

Included in the liability for unrecognized tax benefits at December 31, 2019 and December 31, 2018 are tax positions of \$987 and \$1,058, respectively, which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company's annual effective income tax rate.

In addition, at December 31, 2019 and December 31, 2018, the Company had accrued penalties associated with unrecognized tax benefits of \$104 and \$61, respectively. At December 31, 2019 and December 31, 2018, the Company also had accrued interest associated with unrecognized tax benefits of \$214 and \$143, respectively.

6. Leases

As of January 1, 2019, the Company adopted ASU 2016-02, Leases, which required the Company to recognize a right-of-use asset and a corresponding lease liability on its balance sheet for most leases classified as operating leases under previous guidance. The Company adopted the standard using the modified retrospective approach as of January 1, 2019 and comparative financial statements have not been presented as allowed per the guidance.

The Company elected several of the practical expedients permitted under the transition guidance within the new standard. The package of practical expedients elected allowed the Company to carryforward its conclusions over whether any existing contracts contain a lease, to carryforward historical lease classification, and to carryforward its evaluation of initial

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direct costs for any existing leases. In addition, the Company elected the practical expedients to combine lease and non-lease components and to keep leases with an initial term of 12 months or less, after the consideration of options, off the balance sheet. For these leases with an initial term of 12 months or less, after the consideration of options, the Company recognized the corresponding lease expense on a straight-line basis over the lease term. These practical expedients have been elected for all leases and subleases and will be applied on a go-forward basis.

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An entity controls the use of the identified asset if both of the following are true: (1) the entity obtains the right to substantially all of the economic benefits from use of the identified asset and (2) the entity has the right to direct the use of the identified asset. For the years ended December 31, 2019, 2018 and 2017, the Company leased facilities and equipment under operating and finance leases.

The Company leases some of its facilities under noncancellable operating leases that expire in various years through 2026. Certain leases may be renewed for periods varying from 1 to 10 years. The Company has entered into or assumed through acquisition several equipment operating leases for assets including tractors, straight trucks and trailers with original lease terms between 2 and 6 years. These leases expire in various years through 2025 and certain leases may be renewed for periods varying from 1 to 3 years.

Primarily through acquisitions, the Company assumed equipment leases that met the criteria for classification as a finance lease. In conjunction with the acquisition of O.S.T. in July 2019, discussed further in Note 2, Acquisitions, Goodwill and Other Long-Lived Assets, the Company assumed finance leases with remaining lease terms between 2 and 7 years. These leases expire in various years through 2025 with no options to renew. All other finance leases are not considered material to the Company's financial statements for the years ended December 31, 2019, 2018 and 2017. The finance leased equipment is being amortized over the shorter of the lease term or useful life. This amortization is included in depreciation and amortization expense.

The Company also subleases certain facility leases to independent third parties; however, as the Company is not relieved of its primary obligation under these leases, these assets are included in the right-of-use lease assets and corresponding lease liabilities as of December 31, 2019. Sublease rental income was \$2,154, \$1,724 and \$1,923 in 2019, 2018 and 2017, respectively. In 2020, the Company expects to receive aggregate future minimum rental payments under noncancellable subleases of approximately \$1,505. Noncancellable subleases expire between 2020 and 2024.

For leases and subleases with terms greater than 12 months, the Company recorded the related right-of-use asset as the balance of the related lease liability, adjusted for any prepaid or accrued lease payments. Unamortized initial direct costs and lease incentives were not significant as of December 31, 2019. The lease liability was recorded at the present value of the lease payments over the term. Many of the Company's leases include rental escalation clauses, renewal options and/or termination options that were contemplated in the determination of lease payments when appropriate. As of December 31, 2019, the Company was not reasonably certain of exercising any renewal options. Further, as of December 31, 2019, it was reasonably certain that all termination options would not be exercised. As such, there were no adjustments made to its right-of-use lease assets or corresponding liabilities as a result. In addition, the Company does not have any leases with residual value guarantees or material restrictions or covenants as of December 31, 2019.

The Company did not separate lease and nonlease components of contracts for purposes of determining the right-of-use lease asset and corresponding liability. Additionally, variable lease and variable nonlease components were not contemplated in the calculation of the right-of-use asset and corresponding liability. For facility leases, variable lease costs include the costs of common area maintenance, taxes, and insurance for which the Company pays its lessors an estimate that is adjusted to actual expense on a quarterly or annual basis depending on the underlying contract terms. For equipment leases, variable lease costs may include additional fees for using equipment in excess of estimated annual mileage thresholds.

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Leasehold improvements were also excluded from the calculation of the right-of-use asset and corresponding liability. Leasehold improvements are recorded as an asset at cost and are amortized over the shorter of the estimated useful life or the initial term of the lease.

In addition, the Company holds contracts with independent owner-operators. These contracts explicitly identify the tractors to be operated by the independent owner-operators and therefore, the Company concluded that these represent embedded leases. However, the contract compensation is variable based upon a rate per shipment and a rate per mile. As such, these amounts are excluded from the calculation of the right-of-use lease asset and corresponding liability and are instead disclosed as part of variable lease costs below. Costs incurred for independent owner-operators in accordance with these embedded leases are included in purchased transportation on the Company's Statements of Comprehensive Income, totaling \$358,185, \$316,147 and \$317,452 for the years ended December 31, 2019, 2018 and 2017, respectively.

When available, the Company uses the rate implicit in the lease or sublease to discount lease payments to present value; however, most of our leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, on a collateralized basis and over a similar term, an amount equal to the lease payments in a similar economic environment. If using the Company's incremental borrowing rate, management has elected to utilize a portfolio approach and applies the rates to a portfolio of leases with similar underlying assets and terms. Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

The following table summarizes the Company's lease costs for the year ended December 31, 2019 and related information:

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	<u>Year ended</u> <u>December 31,</u> <u>2019</u>
Lease cost	
Finance lease cost:	
Amortization of right-of-use assets	\$ 1,019
Interest on lease liabilities	129
Operating lease cost	59,012
Short-term lease cost	12,056
Variable lease cost	373,181
Sublease income	2,154
Total lease cost	<u>\$ 447,551</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	\$ 129
Operating cash flows from operating leases	\$ 57,589
Financing cash flows from finance leases	\$ 946
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 8,188
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 202,278
Weighted-average remaining lease term - finance leases (in years)	4.6
Weighted-average remaining lease term - operating leases (in years)	3.8
Weighted-average discount rate - finance leases	3.4%
Weighted-average discount rate - operating leases	4.0%

The table below reconciles the undiscounted cash flows for each of the next five years and total of the remaining years to the lease liabilities recorded on the balance sheet as of December 31, 2019:

Payment Due Period	Operating Leases	Finance Leases
2020	\$ 61,804	\$ 1,611
2021	46,755	1,610
2022	31,918	1,342
2023	22,088	1,200
2024	14,775	798
Thereafter	7,351	268
Total minimum lease payments	184,691	6,829
Less: amount of lease payments representing interest	(32,551)	(499)
Present value of future minimum lease payments	152,140	6,330
Less: current portion of lease obligations	(50,615)	(1,421)
Long-term lease obligations	<u>\$ 101,525</u>	<u>\$ 4,909</u>

As of December 31, 2019, the Company has certain obligations to lease tractors, which will be delivered throughout 2020. These leases are expected to have terms of approximately 3 to 4 years and are not expected to materially impact the Company's right-of-use lease assets or liabilities as of December 31, 2019.

7. Commitments and Contingencies

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019
(In thousands, except share and per share data)

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

The primary claims in the Company's business relate to workers' compensation, property damage, vehicle liability and employee medical benefits. Most of the Company's insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. Such insurance coverage above the applicable self-insurance levels continues to be an important part of the Company's risk management process.

In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

The Company is responsible for the first \$7,500 per incident until it meets the \$6,000 aggregate deductible for incidents resulting in claims between \$3,000 and \$5,000 and the \$2,500 aggregate deductible for incidents resulting in claims between \$5,000 and \$10,000. During the year ended December 31, 2019, the Company recorded a \$7,500 reserve for pending vehicular claims related to one incident. Although these claims are still developing, the Company has recorded reserves for the claims up to its self-insured retention limit of \$7,500 and therefore, no further impact to the Company's operating results is expected.

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

As of December 31, 2019, the Company had commitments to purchase trailers and forklifts for approximately \$6,376 during 2020.

8. Employee Benefit Plan

The Company has a retirement savings plan (the "401(k) Plan"). The 401(k) Plan is a defined contribution plan whereby employees who have completed 90 days of service, a minimum of 1,000 hours of service and are age 21 or older are eligible to participate. The 401(k) Plan allows eligible employees to make contributions of 2.0% to 80.0% of their annual compensation. For all periods presented, employer contributions were made at 25.0% of the employee's contribution up to a maximum of 6.0% of total annual compensation, except where government limitations prohibit.

Employer contributions vest 20.0% after two years of service and continue vesting 20.0% per year until fully vested. The Company's matching contributions expensed in 2019, 2018 and 2017 were approximately \$2,004, \$1,713 and \$1,441, respectively.

9. Financial Instruments

Off Balance Sheet Risk

At December 31, 2019, the Company had letters of credit outstanding totaling \$13,970.

Fair Value of Financial Instruments

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

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019
(In thousands, except share and per share data)

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

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

The fair value estimates of earn-outs are discussed in Note 4, Acquisitions and Long-Lived Assets.

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

	December 31,		December 31,	
	2019		2018	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
Finance lease obligations	\$ 6,330	\$ 6,318	\$ 363	\$ 374

The carrying value of the finance lease obligations are included within the Equipment section of Property and equipment on the Company's Consolidated Balance Sheet. The Company's fair value estimates for the above financial instruments are classified within level 3 of the fair value hierarchy as defined in the FASB Codification.

10. Segment Reporting

Effective September 1, 2018, Thomas Schmitt was named the Company's President and Chief Executive Officer. Mr. Schmitt is the Company's Chief Operating Decision Maker ("CODM") and is primarily responsible for allocating resources to and assessing the performance of the Company's segments. As a result of this change in leadership, the Company revisited its strategy. Due to this change in leadership and the implementation of a new strategy, Management changed how it evaluates and manages the business effective in the fourth quarter of 2019 and classifies our services into three reportable segments: Expedited Freight, Intermodal and Pool Distribution. The results of our previous Expedited LTL and TLS segments have been consolidated into our Expedited Freight segment. This classification is consistent with how the CODM makes decisions about resource allocation and assesses the Company's performance. The Company has recast its financial information and disclosures for the prior period to reflect the segment disclosures as if the current presentation had been in effect throughout all periods presented. For financial information relating to each of our business segments, see Note 10, Segment Reporting to our Consolidated Financial Statements.

Expedited Freight operates 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. Included within the \$988,757 of Expedited Freight revenue for the year end December 31, 2019 are defined services including Network revenue of \$676,911, Truckload revenue of \$184,663, Final Mile revenue of \$100,555 and other revenue of \$26,628. Intermodal provides first- and last-mile high value intermodal container drayage services both to and from seaports and railheads. Pool provides high-frequency handling and distribution of time sensitive product to numerous destinations.

Except for certain insurance activity, the accounting policies of the segments are the same as those described in the summary of significant accounting policies disclosed in Note 1. For workers compensation and vehicle claims each segment is charged an insurance premium and is also charged a deductible that corresponds with our corporate deductibles disclosed in

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019
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Note 1. However, any losses beyond our deductibles and any loss development factors applied to our outstanding claims as a result of actuary analysis are not passed to the segments, but recorded at the corporate level within Eliminations and Other.

Segment data includes intersegment revenues. Costs of the corporate headquarters and shared services are allocated to the segments based on usage. The expense associated with shared operating assets, such as trailers, is allocated between operating segments based on usage. However, the carrying value of the asset's basis is not allocated. The Company evaluates the performance of its segments based on income from operations. The Company's business is conducted in the U.S. and Canada.

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2019

(In thousands, except share and per share data)

The following tables summarize segment information about results from operations and assets used by the chief operating decision maker of the Company in making decisions regarding allocation of assets and resources as of and for the years ended December 31, 2019, 2018 and 2017.

Year ended December 31, 2019	Expedited Freight	Intermodal	Pool Distribution	Eliminations & Other	Consolidated
External revenues	\$ 985,697	\$ 217,606	\$ 207,092	\$ —	\$ 1,410,395
Intersegment revenues	3,060	105	297	(3,462)	—
Depreciation	22,993	3,086	4,884	(67)	30,896
Amortization	4,336	5,848	1,029	—	11,213
Share-based compensation expense	8,628	1,801	644	834	11,907
Interest expense	—	142	—	2,569	2,711
Income (loss) from operations	101,065	23,679	7,275	(13,196)	118,823
Total assets	713,527	206,576	115,638	(44,863)	990,878
Capital expenditures	22,179	717	5,313	—	28,209

Year ended December 31, 2018 (As Adjusted)	Expedited Freight	Intermodal	Pool Distribution	Eliminations & Other	Consolidated
External revenues	\$ 926,446	\$ 200,750	\$ 193,690	\$ —	\$ 1,320,886
Intersegment revenues	4,678	256	427	(5,361)	—
Depreciation	25,453	1,719	5,871	2	33,045
Amortization	3,499	4,610	1,029	—	9,138
Share-based compensation expense	8,457	984	453	655	10,549
Interest expense	(20)	58	—	1,745	1,783
Income (loss) from operations	101,440	23,266	5,870	(8,545)	122,031
Total assets	550,051	167,002	64,306	(21,144)	760,215
Capital expenditures	38,710	854	2,729	—	42,293

Year ended December 31, 2017 (As Adjusted)	Expedited Freight	Intermodal	Pool Distribution	Eliminations & Other	Consolidated
External revenues	\$ 846,706	\$ 154,446	\$ 168,194	\$ —	\$ 1,169,346
Intersegment revenues	3,701	238	289	(4,228)	—
Depreciation	23,260	1,867	5,732	3	30,862
Amortization	5,171	3,981	1,041	—	10,193
Share-based compensation expense	7,154	562	387	—	8,103
Interest expense	5	48	—	1,156	1,209
Income (loss) from operations	91,184	12,963	6,378	(1,768)	108,757
Total assets	506,652	149,150	55,970	(19,150)	692,622
Capital expenditures	36,683	514	1,068	—	38,265

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2019
(In thousands, except share and per share data)

11. Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2019 and 2018:

		2019			
		March 31	June 30	September 30	December 31
Operating revenue	\$	321,471	\$ 345,756	\$ 361,663	\$ 381,504
Income from operations		24,734	30,550	30,689	32,852
Net income		18,407	22,330	22,195	24,168
Net income per share:					
Basic	\$	0.64	\$ 0.78	\$ 0.78	\$ 0.86
Diluted	\$	0.64	\$ 0.78	\$ 0.78	\$ 0.85

		2018			
		March 31	June 30	September 30	December 31
Operating revenue	\$	302,608	\$ 330,343	\$ 331,375	\$ 356,561
Income from operations		24,235	32,870	29,879	35,047
Net income		17,741	24,298	22,329	27,684
Net income per share:					
Basic	\$	0.60	\$ 0.83	\$ 0.76	\$ 0.95
Diluted	\$	0.60	\$ 0.82	\$ 0.76	\$ 0.95

FORWARD AIR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2019

(In thousands, except share and per share data)

12. Subsequent Event

On January 12, 2020, the Company acquired substantially all of the assets of Linn Star Holdings, Inc., Linn Star Transfer, Inc. and Linn Star Logistics, LLC (collectively, “Linn Star”) for \$57,200. This transaction was funded using cash flows from operations.

Linn Star is a privately-held Final Mile provider headquartered in Cedar Rapids, Iowa. As part of our Company’s strategic growth plan, the acquisition of Linn Star will increase Forward Final Mile’s capabilities significantly while expanding our footprint with an additional 20 locations. The Company anticipates Linn Star will contribute approximately \$90,000 of revenue and \$6,300 of operating income on an annualized basis.

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

Col. A	Col. B	Col. C		Col. D	Col. E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Described	Deductions -Described	Balance at End of Period
Year ended December 31, 2019					
Allowance for doubtful accounts	\$ 1,309	\$ 761	\$ —	\$ 726 ⁽²⁾	\$ 1,344
Allowance for revenue adjustments ⁽¹⁾	772	—	3,342	3,357 ⁽³⁾	757
Income tax valuation	395	—	—	—	395
	<u>2,476</u>	<u>761</u>	<u>3,342</u>	<u>4,083</u>	<u>2,496</u>
Year ended December 31, 2018					
Allowance for doubtful accounts	\$ 2,542	\$ 139	\$ —	\$ 1,372 ⁽²⁾	\$ 1,309
Allowance for revenue adjustments ⁽¹⁾	464	—	3,628	3,320 ⁽³⁾	772
Income tax valuation	360	35	—	—	395
	<u>3,366</u>	<u>174</u>	<u>3,628</u>	<u>4,692</u>	<u>2,476</u>
Year ended December 31, 2017					
Allowance for doubtful accounts	\$ 1,309	\$ 1,814	\$ —	\$ 581 ⁽²⁾	\$ 2,542
Allowance for revenue adjustments ⁽¹⁾	405	—	3,055	2,996 ⁽³⁾	464
Income tax valuation	282	78	—	—	360
	<u>1,996</u>	<u>1,892</u>	<u>3,055</u>	<u>3,577</u>	<u>3,366</u>

(1) Represents an allowance for adjustments to accounts receivable due to disputed rates, accessorial charges and other aspects of previously billed shipments.

(2) Represents uncollectible accounts written off, net of recoveries

(3) Represents adjustments to billed accounts receivable

EXHIBIT INDEX

No.	Exhibit
3.1	<u>Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490))</u>
3.2	<u>Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2017 (File No. 0-22490))</u>
4.1	<u>Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 filed with the Securities and Exchange Commission on November 16, 1998 (File No. 0-22490))</u>
4.2	<u>Description of Capital Stock</u>
10.1	* <u>Forward Air Corporation 2005 Employee Stock Purchase Plan (incorporated herein by reference to the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 20, 2005 (File No. 0-22490))</u>
10.2	<u>Air Carrier Certificate, effective August 28, 2003 (incorporated herein by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490))</u>
10.3	<u>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))</u>
10.4	* <u>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))</u>
10.5	* <u>Forward Air Corporation Executive Severance and Change in Control Plan, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))</u>
10.6	* <u>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))</u>
10.7	* <u>Form of Non-Qualified Stock Option Agreement for an award granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))</u>
10.8	<u>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))</u>
10.9	* <u>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))</u>
10.10	* <u>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))</u>
10.11	* <u>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))</u>
10.12	* <u>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))</u>
10.13	* <u>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))</u>
10.14	* <u>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))</u>
10.15	* <u>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)</u>

- 10.16 * Form of CEO Performance Share Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.42 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
- 10.17 * Form of CEO Restricted Stock Agreement under the registrant's 2016 Omnibus Incentive Compensation Plan (incorporated herein by reference to Exhibit 10.43 to the registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017)
- 10.18 * 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)
- 10.19 * 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)
- 10.20 * 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)
- 10.21 * 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)
- 10.22 * Severance Agreement (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on April 27, 2017)
- 10.23 * 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))
- 10.24 * 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))
- 10.25 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)
- 10.26 * 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)
- 10.27 * 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)
- 10.28 * 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)
- 10.29 * 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)
- 10.30 * 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)
- 10.31 * 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)
- 10.32 Amended and Restated Forward Air Corporation Executive Severance and Change in Control Plan, effective as of May 24, 2018 (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 25, 2019)
- 10.33 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)
- 10.34 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)
- 10.35 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)

- 21.1 Subsidiaries of the registrant
- 23.1 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
- 31.1 Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
- 31.2 Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Denotes a management contract or compensatory plan or arrangement.

Shareholder Information

Corporate Headquarters

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

Annual Meeting

The Company's 2020 Annual Meeting of Shareholders will be held at 8:00 a.m., EDT, on Tuesday, May 12, 2020, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337. Shareholders are invited to attend this meeting.

Inquiries

Inquiries from shareholders, securities analysts, registered representatives, and the news media regarding the Company should be directed to Michael J. Morris at (423) 636-7000 or e-mailed to investorrelations@forwardair.com at the Company's corporate headquarters.

The Company maintains a direct mailing list to assist shareholders with stock held in brokerage accounts to receive information on a timely basis. Shareholders wishing to be added to this list should direct their requests to Forward Air Corporation Investor Relations, P.O. Box 1058, Greeneville, Tennessee 37744, e-mail investorrelations@forwardair.com or call (423) 636-7000.

Shareholder inquiries regarding change of address, transfer of stock certificates and lost certificates should be directed to:

Computershare
P.O. Box 30170
College Station, TX 77842-3170
(800) 568-3476
<https://www-us.computershare.com/investor/Contact>

Independent Registered Public Accounting Firm

Ernst & Young LLP
One Nashville Place
Suite 1400
150 Fourth Avenue North
Nashville, Tennessee 37219

Executive Officers

Thomas Schmitt

Chairman, President and Chief Executive Officer

Michael J. Morris

Chief Financial Officer and Treasurer

Michael L. Hance

Chief Legal Officer and Secretary

Christina W. Bottomley

Chief Accounting Officer, Vice President & Controller

Board of Directors

Thomas Schmitt

*Chairman, President and Chief Executive Officer
Forward Air Corporation*

Ronald W. Allen

*Former Chairman, President and Chief Executive Officer
Delta Air Lines*

Ana B. Amicarella

*Chief Executive Officer
EthosEnergy*

Valerie A. Bonebrake

*Former Vice President
Tompkins International*

C. Robert Campbell

*Former Executive Vice President and Chief Financial Officer
MasTec, Inc.*

R. Craig Carlock

*Lead Independent Director, Forward Air Corporation
Owner and Chief Executive Officer
Omega Sports, Inc.*

C. John Langley, Jr., Ph.D.

*Clinical Professor of Supply Chain Management and Director
of Development for The Center for Supply Chain Research
The Pennsylvania State University*

G. Michael Lynch

*Former Executive Vice President and Chief Financial Officer
Federal-Mogul Corporation*

Laurie A. Tucker

*Founder/Chief Strategy Officer
Calade Partners LLC*

W. Gilbert West

*Senior Executive Vice President and Chief Operating Officer
Delta Air Lines*

Chris C. Ruble

Chief Operating Officer

Matthew J. Jewell

Chief Commercial Officer

Kyle R. Mitchin

Chief People Officer

Joseph M. Tomasello

Chief Information Officer

