Forward Air Corporation

# Notice of 2011 Annual Meeting of Shareholders, Proxy Statement and 2010 Annual Report

Dear Fellow Shareholder,

A year ago when I wrote my annual letter to you, I reflected, without much fondness, upon 2009 and one of the most challenging operating environments in our Company's history. Despite the challenges of 2009, we were pleased by our ability to weather the storm, and we felt properly positioned to take advantage of any improvements the 2010 freight market had to offer. Moreover, we were cautiously optimistic about what we perceived to be the makings of a recovery. Freight volumes had begun to slowly return in the fourth quarter of 2009 and had continued to improve in the first quarter of 2010. We were hopeful that this trend wasn't an aberration and that we were returning to more normalized times. Fortunately, we were correct.

In each quarter of 2010, we produced year-over-year, quarterly double-digit percentage growth in operating revenue, income from operations and earnings per diluted share. For the full year, our operating revenue increased 15.9% to $483.9 million from $417.4 million for the prior year, and our income from operations improved to $53.7 million from an adjusted 2009 income of $25.8 million (with impairment charges of $7.2 million added back to the 2009 income). Additionally, our cash position improved by $32.5 million on a year-over-year basis. In 2010, we returned to more traditional revenue growth levels, operating margins, and abundant free cash flow. These results were made possible by the hard work of all our team members, employees and independent owner-operators alike. Without their dedication and commitment to excellence, we would not have been able to achieve these results. We are most grateful for all of their efforts on our behalf.

While much was accomplished in 2010, much remains to be done in 2011. We have many important projects in front of us that will allow us to further improve upon our 2010 results. These projects include our continuing efforts to improve operating efficiencies, improving our information systems, and expanding our sales focus to include new areas where we can provide better solutions for our customers. We are excited about each of these initiatives and look forward to implementing them during the course of the year.

One of our core strengths is our balance sheet, which has never been stronger. In 2011, we will make every effort to leverage that strength to capitalize on strategic opportunities that are available. We believe our industry will likely go through some tumultuous times in 2011 driven in large part by increased regulatory oversight and continued tight credit policies affecting others within our industry more than us, thanks again to our balance sheet. We will work hard to take advantage of this position during 2011. Thank you for investing in our company and for your confidence in our team.

Sincerely yours,

Bruce A. Campbell
Chairman, President and Chief Executive Officer

April 1, 2011

Dear Fellow Shareholder:

On behalf of the Board of Directors and management of Forward Air Corporation, you are cordially invited to attend the Annual Meeting of Shareholders on Monday, May 9, 2011, beginning at 8:00 a.m., EDT in the Piper Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, College Park, 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,

Bruce A. Campbell
*Chairman, President and Chief Executive Officer*

**FORWARD AIR CORPORATION**
**430 Airport Road**
**Greeneville, Tennessee 37745**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**
**TO BE HELD MAY 9, 2011**

To the Shareholders of Forward Air Corporation:

The Annual Meeting of Shareholders of Forward Air Corporation (the “Company”) will be held on Monday, May 9, 2011, beginning at 8:00 a.m., EDT, in the Piper Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, College Park, 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 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 elect ten members of the Board of Directors with terms expiring at the next Annual Meeting of Shareholders in 2012, 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;

3. To approve revised performance criteria which may apply to performance-based stock awards granted under the Amended and Restated Stock Option and Incentive Plan;

4. To approve an advisory resolution on executive compensation (the “say on pay vote”);

5. To hold an advisory vote on the frequency of holding the say on pay vote in the future; and

6. To transact such other business as may properly come before the meeting and at any adjournment or postponement thereof.

We will make available a list of shareholders of record as of March 15, 2011, the record date for the Annual Meeting, for inspection by shareholders during normal business hours from April 4, 2011 until May 6, 2011 at the Company’s principal place of business, 430 Airport Road, 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 15, 2011 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 proposals 1, 2, 3 and 4. Our Board of Directors recommends that you vote 3 years on proposal 5.**

**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.**

By Order of the Board of Directors,

Matthew J. Jewell
*Executive Vice President, Chief Legal Officer and Secretary*

Greeneville, Tennessee
April 1, 2011

**FORWARD AIR CORPORATION**
**430 Airport Road**
**Greeneville, Tennessee 37745**
**(423) 636-7000**

# PROXY STATEMENT
# FOR
# ANNUAL MEETING OF SHAREHOLDERS

This Proxy Statement is furnished to the shareholders of Forward Air Corporation (the "Company") in connection with the solicitation of proxies by the Board of Directors (the "Board") for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Monday, May 9, 2011, beginning at 8:00 a.m., EDT, in the Piper Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, College Park, GA 30337, and any adjournment or postponement thereof, for the purposes set forth in the foregoing Notice of Annual Meeting of Shareholders. This proxy material is first being sent to shareholders on or about April 1, 2011.

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 proxy will be voted **FOR** Proposals 1, 2, 3 and 4 and for **3 Years** for Proposal 5 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 15, 2011 (the "Record Date"). There were 29,364,221 shares of our common stock, par value $0.01 per share, issued and outstanding on the Record Date. The presence, in person or by proxy, of a majority of those shares will 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 and the selection of the frequency of future say on pay votes. 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 or the selection of the desired frequency for future say on pay votes.

Any other matter that properly comes before the Annual Meeting will be approved if the number of shares of common stock voted in favor of the proposal exceeds the number of shares of common stock voted against it. A properly executed proxy marked **"Abstain"** with respect to such proposal will not be voted on that proposal, although it will be counted in determining whether there is a quorum. Therefore, as long as a quorum is present, abstaining from any proposal that properly comes before the Annual Meeting will have no effect on whether the proposal is approved.

Brokers who hold shares for the accounts of their clients who do not receive voting instructions may not vote for certain of the proposals contained in this Proxy Statement unless specifically instructed to do so by their clients. 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.

The Company will bear the cost of soliciting proxies for the Annual Meeting. Our officers and employees may also solicit proxies by mail, telephone, e-mail or facsimile transmission. They will not be paid additional remuneration for their efforts. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2011 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 9, 2011.**

**The Company's Proxy Statement for the 2011 Annual Meeting of Shareholders and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 are available at www.forwardair.com.**

## PROPOSAL 1 - ELECTION OF DIRECTORS

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 of Shareholders, each to hold office until the next Annual Meeting of Shareholders in 2012 or until a successor has been duly elected and qualified. **The Board of Directors 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.** If for any reason a nominee is unable to serve as a director, it is intended that the proxies solicited hereby will be voted for such substitute nominee as the Board may propose, or the Board may reduce the number of directors. The Board has no reason to expect that the nominees will be unable to serve and, therefore, at this time it does not have any substitute nominees under consideration. 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 of Directors.

### Director Nominees

The following persons are the nominees for 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 tangible and intangible 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 2011
Atlanta, Georgia Age 69

Mr. Allen is an Advisory Director of Delta Air Lines, Inc., a major U.S. air transportation company. From July 1997 through July 2005, Mr. Allen was a consultant to and an Advisory Director of Delta. He retired as Delta's Chairman of the Board, President and Chief Executive Officer in July 1997. Mr. Allen brings an incredible wealth of leadership and governance experience to the Company's Board. He is a Director of Aaron's, Inc., Aircastle Limited, The Coca Cola Company and Guided Therapeutics, Inc.

**BRUCE A. CAMPBELL** Director since 1993
Greeneville, Tennessee Age 59

Mr. Campbell has served as a director since April 1993, as President since August 1998, as Chief Executive Officer since October 2003 and as Chairman since May 2007. Mr. Campbell was Chief Operating Officer from April 1990 until October 2003 and Executive Vice President from April 1990 until August 1998. Prior to joining the Company, Mr. Campbell served as Vice President of Ryder-Temperature Controlled Carriage in Nashville, Tennessee from September 1985 until December 1989. Mr. Campbell has held a leadership role with the Company for over 20 years, has served as its Chief Executive Officer for over 7 years and its Chairman for approximately 3 years. Prior to joining the Company, Mr. Campbell served in a leadership role with another transportation concern. The Board believes that Mr. Campbell possesses a wealth of industry knowledge, experience and expertise and has been a strong, proven leader of the Company. Mr. Campbell also serves as a Director of Green Bankshares, Inc.

**C. ROBERT CAMPBELL** Director since 2005
Coral Gables, Florida Age 66

Mr. Campbell has been Executive Vice President and Chief Financial Officer of MasTec, Inc., a leading communications and energy infrastructure service provider in North America, since October 2004. 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. From April 1998 to June 2000, Mr. Campbell was the President and Chief Executive Officer of BAX Global, Inc., and from March 1995 to March 1998, he was Executive Vice President-Finance and Chief Financial Officer for Advantica Restaurant Group, Inc. Mr. Campbell is a Certified Public Accountant. The Board believes that Mr. Campbell brings to the Company a tremendous amount of industry-related knowledge and experience in a multitude of areas, including accounting, finance, operations, sales and marketing. He has served in executive leadership capacities with transportation and logistic companies and currently serves as a Chief Financial Officer for a publicly-traded concern.

**RICHARD W. HANSELMAN** Director since 2004
Nashville, Tennessee Age 83

Mr. Hanselman served as the Company's Chairman of the Board from May 2005 to May 2007 and its Lead Independent Director from May 2007 to December 2008. Mr. Hanselman was a Director of ArvinMeritor, Inc., a global supplier of a broad range of systems, modules and components to the motor vehicle industry, from July 2000 until his retirement from its board in January 2007. Mr. Hanselman was a Director of Arvin Industries, Inc. from 1983 until it merged with ArvinMeritor, Inc. Mr. Hanselman was the Non-Executive Chairman of the Board of Health Net, Inc., a managed care provider, from May 1999 until December 2003, and he continued to serve as a Director until May 2005. Mr. Hanselman also served as a Director of predecessor corporations of Health Net, Inc. Mr. Hanselman was President and COO of Genesco, Inc., from May 1980 until January 1982 and was Chairman, President and Chief Executive Officer from January 1982 until January 1986. Mr. Hanselman has over 40 years of public company management experience, including experience as chairman and chief executive officer of 2 companies, non-executive chair of 3 companies (including Forward Air Corporation) and service on 26 different boards during the course of his career. Mr. Hanselman brings a vast array of leadership and governance experience to the Company. In addition, Mr. Hanselman is an Honorary Trustee of the Committee for Economic Development.

**C. JOHN LANGLEY, JR.** Director since 2004
Knoxville, Tennessee Age 65

Dr. Langley is Clinical Professor of Supply Chain Management and Director of Development for The Center for Supply Chain Research at The Pennsylvania State University. Formerly, Dr. Langley served from September 2001 until October, 2010 as Professor of Supply Chain Management at the Georgia Institute of Technology, and from September 1973 until July 2001 as The John H. Dove Professor of Logistics and Transportation at the University of Tennessee. Dr. Langley has spent over 37 years teaching, lecturing and consulting in the logistics field. He brings a breadth of knowledge and experience that the Board and management relies upon in discussing the Company's strategy and opportunities. Dr. Langley also is a Director of UTi Worldwide, Inc.

**TRACY A. LEINBACH** Director since 2007
Miami, Florida Age 51

Ms. Leinbach served as Executive Vice President and Chief Financial Officer of Ryder System, Inc., a global leader in supply chain, warehousing and transportation management solutions, from March 2003 until her retirement in February 2006. Ms. Leinbach served as Executive Vice President of Ryder's Fleet Management Solutions from March 2001 to March 2003, Senior Vice President, Sales and Marketing from September 2000 to March 2001, and she was Senior Vice President, Field Management from July 2000 to September 2000. Ms. Leinbach also served as Managing Director-Europe of Ryder Transportation Services from January 1999 to July 2000 and previously she had served Ryder Transportation Services as Senior Vice President and Chief Financial Officer from 1998 to January 1999, Senior Vice President, Business Services from 1997 to 1998, and Senior Vice President, Purchasing and Asset Management for six months during 1996. From 1985 to 1996, Ms. Leinbach held various financial positions in Ryder subsidiaries. Including her service on the Company's board, Ms. Leinbach has worked in the transportation industry for approximately 25 years and the Board believes that she brings that breadth of experience to the Company. She held leadership roles with Ryder System (and its subsidiaries) in multiple areas, including, operations, sales, and finance. She is our Audit Committee Chairperson, a qualified Audit Committee financial expert and an instrumental contributor in discussions of corporate strategy and risk. Ms. Leinbach also serves as a Director of Hasbro, Inc.

**LARRY D. LEINWEBER** Director since 2011
Bloomfield Hills, Michigan Age 69

Mr. Leinweber is President and Chief Executive Officer of New World Systems, where he is responsible for product strategy, strategic direction, and organization development. Mr. Leinweber has over 30 years of executive management and operations management experience in the software and technology industry. Prior to founding New World, Mr. Leinweber served as President and CEO for a software and service division of Citicorp. Earlier in his career, he was also a co-founder and President of Advanced Computer Management Corporation. Mr. Leinweber brings to the Board a wealth of experience in executive leadership, strategy and innovation.

**G. MICHAEL LYNCH** Director since 2005
Greensboro, Georgia Age 67

Mr. Lynch has served as Lead Independent Director of the Company since January 2009. Mr. Lynch served as Executive Vice President and Chief Financial Officer and a member of the Strategy Board for Federal-Mogul Corporation 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 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 Mr. Lynch utilizes that breadth of experience in his service as the Company's Lead Independent Director. Mr. Lynch served as Director for Champion Enterprises, Inc. until March 2011.

**RAY A. MUNDY** Director since 2000
St. Louis, Missouri Age 66

Dr. Mundy has served as director of the Center for Transportation Studies and Barriger Endowed Professor of Transportation and Logistics at the University of Missouri since January 2000. From January 1996 until December 1999, he was the Taylor Distinguished Professor of Logistics and Transportation at the University of Tennessee. Also, while at the University of Tennessee, Dr. Mundy managed its Transportation Management & Policies Studies program and was one of the Directors of its Supply Chain Forum. Also, Dr. Mundy has served as the Executive Director of the Airport Ground Transportation Association for the past 30 years. Dr. Mundy brings over 38 years of experience teaching, advising and consulting in transportation and logistics. He has served on the Company's Board for approximately 11 years and is the former Chair of the Company's Corporate Governance and Nominating Committee and its Audit Committee. Dr. Mundy brings a breadth of knowledge and experience that the Board and management rely upon in discussing the Company's strategies, challenges and opportunities. Additionally, Dr. Mundy serves as a consultant to both the public and private sectors and sits on advisory boards for Internet, transportation and logistics companies.

**GARY L. PAXTON** Director since 2007
Tulsa, Oklahoma Age 64

Mr. Paxton served as President and Chief Executive Officer of Dollar Thrifty Automotive Group, Inc., (DTG-NYSE) from October 2003 until his retirement in October 2008. From 1997 until 2002, he was Executive Vice President of DTG. He served as President and CEO of Dollar Rent A Car Systems, Inc. from December 1990 until October 2002, having joined that company in 1968 at one of the first Dollar A Day Rent A Car franchisees in Seattle, Washington. In 1972, he joined the franchisor parent as Vice President of Operations, guiding and supporting new franchisees establishing their operations. The Board believes that Mr. Paxton brings a wealth of chief executive officer and other leadership experience to our Board, having served in management leadership roles with a publicly-traded company for more than 20 years. His extensive leadership experience is invaluable to management and the Board in its discussions of strategy, opportunity and risk. Mr. Paxton is a member of and designated as a certified director by the National Association of Corporate Directors.

## 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 an analysis of all facts specific to each director.

The independent directors are Ronald W. Allen, C. Robert Campbell, Richard W. Hanselman, C. John Langley, Jr., Tracy A. Leinbach, Larry D. Leinweber, G. Michael Lynch, Ray A. Mundy, and Gary L. Paxton.

### Corporate Governance Guidelines

The Board of Directors 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, as well as the charters of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, are available on the Company's website at www.forwardair.com.

### Non-Employee Director Meetings

Pursuant to the Company's Corporate Governance Guidelines, the Company's non-employee 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, a non-employee director designated by such Lead Independent Director.

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

### Director Nominating Process

The Corporate Governance and Nominating Committee evaluates a candidate for director who was recommended by a shareholder in the same manner as a candidate recommended by other means. Shareholders wishing to communicate with the Corporate Governance and Nominating Committee concerning potential director candidates may do so by corresponding with the Corporate Secretary at Forward Air Corporation, 430 Airport Road, 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 Company's Board of Directors. To be considered, the Company must receive recommendations at least 120 calendar days prior to the one year anniversary of the Company's proxy statement date for the prior year's Annual Meeting of Shareholders and include all required information to be considered. In the case of the 2012 Annual Meeting of Shareholders, this deadline is December 3, 2011. 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 Company's Board of Directors 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. In January of 2011, the Corporate Governance and Nominating Committee nominated, and the Board of Directors elected, Mr. Allen and Mr. Leinweber to the Board.

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 the Committee shall evaluate the candidates based on the needs of the Board at that time and issues of knowledge, experience, skills, expertise and diversity, as set forth in the Company's Corporate Governance Guidelines. In particular, the Board and the Committee believe that the Board should be comprised of a well-balanced group of individuals with diverse knowledge, experience, skills and expertise. Although the Board does not have a formal policy regarding board diversity, the Board believes that having diversity of knowledge, experience, skills and expertise among its members enhances the Board's ability to make fully informed, comprehensive decisions.

Potential candidates will be evaluated according to the same criteria, regardless of whether the candidate was recommended by shareholders, the Corporate Governance and Nominating Committee, another director, Company management, a search firm or another third party. The Corporate Governance and Nominating Committee will submit any recommended candidate(s) to the full Board of Directors for approval and recommendation to the shareholders.

**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 of Directors, a Board committee or such individual director or directors, c/o Corporate Secretary, Forward Air Corporation, 430 Airport Road, Greeneville, Tennessee 37745. All communications will be compiled by the Secretary of the Company and forwarded to the members of the Board to whom the communication is directed or, if the communication is not directed to any particular member(s) of the Board, the communication will be forwarded to all members of the Board.

**Annual Performance Evaluations**

The Company's Corporate Governance Guidelines provide that the Board of Directors 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.

## 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 on the Company's website at www.forwardair.com. The Code of Business Conduct and Ethics complies with Nasdaq and Securities and Exchange Commission (the "SEC") requirements, including procedures for the confidential, anonymous submission by employees or others of any complaints or concerns about the Company or its accounting practices, internal accounting controls or auditing matters. 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 Corporate Secretary as described above under "Shareholder Communications."

## Board Attendance

The Company's Corporate Governance Guidelines provide that all directors are expected to attend all meetings of the Board and committees on which they serve and are also expected to attend the Annual Meeting of Shareholders. During 2010, the Board of Directors held five meetings. All of the incumbent directors who were on the Board during 2010 attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings of committees of the Board on which they served during 2010. Seven of the ten incumbent directors attended the 2010 Annual Meeting of Shareholders. Two of the ten incumbent directors were not directors at the time of the 2010 Annual Meeting of Shareholders.

## Board Committees

The Board presently has four standing committees: an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. 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. In addition, the Board has determined that each member of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee is "independent," as defined in Nasdaq Marketplace Rule 5605, and that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment. Additional information regarding the functions of the Board's committees, the number of meetings held by each committee during 2010 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 Company's Board of Directors following the meeting, including their current committee assignments.

| **Name** | **Committees** |
|---|---|
| Ronald W. Allen | |
| Bruce A. Campbell | Executive |
| C. Robert Campbell | Audit, Compensation (Chair) |
| Richard W. Hanselman | Compensation and Corporate Governance and Nominating |
| C. John Langley, Jr. | Compensation, Corporate Governance and Nominating (Chair) and Executive |
| Tracy A. Leinbach | Audit (Chair) |
| Larry D. Leinweber | |
| G. Michael Lynch | Executive |
| Ray A. Mundy | Compensation and Corporate Governance and Nominating |
| Gary L. Paxton | Audit and Corporate Governance and Nominating |

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

*Audit Committee.* The Audit Committee engages the Company's independent registered public accounting firm, considers the fee arrangement and scope of the audit, reviews the financial statements and the independent registered public accounting firm's report, considers comments made by such firm with respect to the Company's internal control structure, and reviews the internal audit process and internal accounting procedures and controls with the Company's financial and accounting staff. A more detailed description of the Audit Committee's duties and responsibilities can be found in the Audit Committee Report on page 34 of this Proxy Statement and in the Audit Committee Charter. A current copy of the written charter of the Audit Committee is available on the Company's website at www.forwardair.com.

The Board has determined that the chairperson of the Audit Committee, Tracy A. Leinbach, meets the definition of an "audit committee financial expert," as that term is defined by the rules and regulations of the SEC. The Audit Committee held six meetings during 2010.

*Compensation Committee.* The Compensation Committee is responsible for determining the overall compensation levels of certain of the Company's executive officers and administering the Company's employee incentive plans and other employee benefit plans. Additionally, it reviews and approves the Compensation Discussion and Analysis for inclusion in the proxy statement (see page 17 of this Proxy Statement). A current copy of the written charter of the Compensation Committee is available on the Company's website at www.forwardair.com. The Compensation Committee held seven meetings during 2010.

The Compensation Committee engaged an independent consultant to assist it during 2010. The consultant began the year as an employee of Hewitt Associates (as of October 1, 2010, Aon Hewitt) and on February 1, 2010 became a partner at Meridian Compensation Partners, LLC. During the year the consultant assisted with short-term and long-term incentive redesign and related issues. Hewitt Associates and Meridian Compensation Partners provided no services to management during 2010.

*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 full Board for consideration. This responsibility includes all potential candidates, whether initially recommended by management, other Board members or shareholders. In addition, the Committee makes recommendations to the Board for Board committee assignments, develops and annually reviews corporate governance guidelines for the Company, and otherwise oversees corporate governance matters. In addition, the Committee coordinates an annual performance review for the Board, Board committees, Chairman, Lead Independent Director, if any, and individual director nominees. The Committee periodically reviews and makes recommendations to the Board regarding director compensation for the Board's approval. Also, the Committee oversees management succession planning along with the Compensation Committee.

A description of the Committee's policy regarding director candidates nominated by shareholders appears in "Director Nominating Process" above. A current copy of the written charter of the Corporate Governance and Nominating Committee is available on the Company's website at www.forwardair.com. The Corporate Governance and Nominating Committee held seven meetings during 2010.

**Board Structure**

In accordance with our bylaws and governance guidelines, the Board is responsible for selecting the Chief Executive Officer and the Chairman of the Board, and both of these positions may be held by the same person or they may be held by two persons. The Company's Corporate Governance Guidelines require the election, by the Board, of an independent lead director to serve during any period when there is no independent Chairman of the Board. Currently, G. Michael Lynch serves as Independent Lead Director and he has served in that capacity since January 2009.

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

Under the Company's bylaws and Corporate Governance Guidelines, 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 Director is responsible for (a) 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, (b) approving agendas and schedules for Board meetings and the information that is provided to directors, and (c) serving as a liaison between the Chairman and the independent directors. The Lead 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 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/CEO as the leader of the Company, and having the Lead 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 Director assumes specified responsibilities on behalf of the independent directors—is presently the optimal board leadership structure for the Company and its shareholders.

**Risk Oversight**

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

## DIRECTOR COMPENSATION

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

The Corporate Governance and Nominating Committee, which consists solely of independent non-employee directors, has the primary responsibility for reviewing and considering any revisions to the non-employee director compensation program. In accordance with the Corporate Governance and Nominating Committee's recommendations, the non-employee directors' cash compensation program is as follows:

- an annual cash retainer of $35,000 for all non-employee directors;
- an additional annual cash retainer of $35,000 for the Non-Employee Lead Independent Director (but he does not receive the Committee meeting fees discussed below);
- an additional annual cash retainer of $15,000 for the Audit Committee Chair;
- an additional annual cash retainer of $7,500 for the Corporate Governance and Nominating Committee and Compensation Committee Chairs;
- an additional annual cash retainer of $7,500 for all non-Chair Audit Committee members and, effective May 9, 2011, an additional annual cash retainer of $3,750 for all non-Chair Compensation and Corporate Governance and Nominating Committee members;
- a $1,500 per in-person meeting fee; and
- a $750 per teleconference meeting fee.

No additional fee is paid for Committee meetings held on the same day as Board meetings. All directors are reimbursed reasonable travel expenses for meetings attended in person. In addition, the Company 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 (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. In 2010, each non-employee director received 2,733 shares of restricted common stock pursuant to the Amended Plan. Unless otherwise determined by the Board, Annual Grants will become vested and nonforfeitable one year after the date of grant so long as the non-employee director's service with the Company does not earlier terminate.

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, commencing February 11, 2008, the Company's independent directors are required to own shares of the Company's common stock, with a value equal to at least three times the annual cash retainer for independent directors. Persons who were independent directors at the commencement of this ownership guideline had until July 31, 2010 to obtain this ownership stake, and each new independent director shall have three (3) years from the date he or she joined or joins the Board to obtain this ownership stake. The following table shows the compensation we paid in 2010 to our 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) | Dividends ($) (2) | Total ($) |
|---|---|---|---|---|
| G. Michael Lynch | $ 77,500 | $ 79,995 | $ 883 | $ 158,378 |
| C. Robert Campbell | 73,250 | 79,995 | 883 | 154,128 |
| Richard W. Hanselman | 60,500 | 79,995 | 883 | 141,378 |
| C. John Langley, Jr. | 66,500 | 79,995 | 883 | 147,378 |
| Tracy A. Leinbach | 64,250 | 79,995 | 891 | 145,136 |
| Ray A. Mundy | 61,995 | 79,995 | 883 | 142,873 |
| Gary L. Paxton | 62,750 | 79,995 | 883 | 143,628 |

(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, 2010 filed with the SEC.

(2) Represents dividend payments or dividend equivalents on non-vested restricted shares or deferred stock unit awards granted during 2010 and 2009. These dividend payments are nonforfeitable.

The following table indicates the aggregate number of outstanding options, deferred restricted stock units or non-vested restricted shares held by each incumbent director at the end of 2010 and those shares or units that have not yet vested.

| Name | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Shares or Units of Stock Held That Have Not Vested (#) |
|---|---|---|
| G. Michael Lynch | - | 2,733 |
| C. Robert Campbell | - | 2,733 |
| Richard W. Hanselman | - | 2,733 |
| C. John Langley, Jr. | 10,625 | 2,733 |
| Tracy A. Leinbach | - | 2,733 |
| Ray A. Mundy | 52,500 | 2,733 |
| Gary L. Paxton | - | 2,733 |

**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 disclosed in this 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.

C. John Langley, Jr. serves as a director of UTi Worldwide, Inc. In its ordinary course of business, the Company provided transportation services to UTi Worldwide, Inc. during 2010 and may continue to do so in the future. Company revenue from services provided to UTi accounted for 0.3% of the Company's gross revenue during the fiscal year ended December 31, 2010.

**Compensation Committee Interlocks and Insider Participation**

During all of 2010, the Compensation Committee was fully comprised of independent non-employee directors. From January 1, 2010 to the present date, the Compensation Committee members consisted of C. Robert Campbell (Chair), C. John Langley, Jr., Ray A. Mundy and Richard W. Hanselman.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of shares of our outstanding common stock held as of the Record Date by (i) each director and director nominee; (ii) our Chief Executive Officer, Chief Financial Officer, each of the next three most highly compensated executive officers, as required by SEC rules (collectively, the "Named Executive Officers"); and (iii) all directors and executive officers as a group. The table also sets forth information as to any person, entity or group known to the Company to be the beneficial owner of 5% or more of the Company's common stock as of December 31, 2010.

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**.**

| | Shares Beneficially Owned | | |
|---|---|---|---|
| **Name and Address of Beneficial Owner (1)** | **Number** | | **Percent (%) (2) (3)** |
| Directors, Nominees and Named Executive Officers | | | |
| Bruce A. Campbell | 879,114 | (4) | 2.99 |
| C. Robert Campbell | 9,499 | (5) | * |
| Richard W. Hanselman | 7,143 | (6) | * |
| C. John Langley, Jr. | 25,377 | (7) | * |
| Tracy A. Leinbach | 5,059 | (8) | * |
| G. Michael Lynch | 14,577 | (9) | * |
| Ray A. Mundy | 67,875 | (10) | * |
| Gary L. Paxton | 21,827 | (11) | * |
| Rodney L. Bell | 379,336 | (12) | 1.29 |
| Craig A. Drum | 130,972 | (13) | * |
| Matthew J. Jewell | 344,219 | (14) | 1.17 |
| Chris C. Ruble | 261,751 | (15) | * |
| All directors and executive officers as a group (13 persons) | 2,236,433 | (16) | 7.62 |
| Other Principal Shareholders | | | |
| BlackRock, Inc. | 2,289,856 | (17) | 7.89 |
| Neuberger Berman, Inc. | 2,155,566 | (18) | 7.43 |
| Invesco Ltd. | 1,935,087 | (19) | 6.67 |
| Columbia Wanger Asset Management, LLC | 1,515,000 | (20) | 5.22 |
| The Vanguard Group, Inc. | 1,457,135 | (21) | 5.02 |

* Less than one percent.

(1) The business address of each listed director, nominee and Named Executive Officer is c/o Forward Air Corporation, 430 Airport Road, Greeneville, Tennessee 37745.

(2) The percentages shown for directors, nominees and Named Executive Officers are based on 29,364,221shares of common stock outstanding on the Record Date.

(3) The percentages shown for other principal shareholders are based on 29,030,919 shares of common stock outstanding on December 31, 2010.

(4) Includes 767,455 options that are fully exercisable and 12,346 non-vested restricted shares.

(5) Includes 2,733 non-vested restricted shares. Excludes 4,628 deferred stock units and 200.75 dividend equivalent rights.

(6) Includes 2,733 non-vested restricted shares. Excludes 2,378 deferred stock units and 93.24 dividend equivalent rights.

(7) Includes 2,733 non-vested restricted shares and 10,625 options that are fully exercisable.

(8) Excludes 7,143 deferred stock units and 107.26 dividend equivalent rights.
(9) Includes 2,733 non-vested restricted shares.
(10) Includes 41,250 options that are fully exercisable. Excludes 2,733 deferred stock units and 21.24 dividend equivalent rights.
(11) Includes 2,733 non-vested restricted shares.
(12) Includes 287,500 options that are fully exercisable and 4,074 non-vested restricted shares.
(13) Includes 128,750 options that are fully exercisable and 2,222 non-vested restricted shares.
(14) Includes 329,000 options that are fully exercisable and 4,074 non-vested restricted shares.
(15) Includes 257,500 options that are fully exercisable and 4,074 non-vested restricted shares.
(16) Includes 42,677 non-vested restricted shares and 1,905,580 options that are fully exercisable. Excludes 16,882 deferred stock units and 422.49 dividend equivalent rights.
(17) BlackRock, Inc. ("BlackRock"), 40 East 52nd Street, New York, New York 10022, reported beneficial ownership of the shares as of December 31, 2010 in a Schedule 13G/A filed with the SEC. BlackRock, an investment adviser, reported having sole voting and dispositive power over 2,289,856 shares.
(18) Neuberger Berman, Inc. ("Neuberger"), 605 Third Avenue, New York, New York 10158, reported beneficial ownership of the shares as of December 31, 2010 in a Schedule 13G/A filed with the SEC. Neuberger, an investment adviser, reported having shared voting power over 1,889,366 shares, shared dispositive power over 2,155,566 shares and no sole voting or dispositive power over the shares.
(19) Invesco Ltd. ("Invesco"), 1555 Peachtree Street NE, Atlanta, Georgia 30309, reported beneficial ownership of the shares as of December 31, 2010 in a Schedule 13G filed with the SEC. Invesco, an investment adviser, reported having sole voting and dispositive power over 1,935,087 shares.
(20) Columbia Wanger Asset Management, LLC. ("Columbia"), 227 West Monroe Street, Suite 3000, Chicago, Illinois 60606, reported beneficial ownership of the shares as of December 31, 2010 in a Schedule 13G/A filed with the SEC. Columbia, an investment adviser, reported having sole voting power over 1,422,000 shares and sole dispositive power over 1,515,000 shares.
(21) The Vanguard Group, Inc. ("Vanguard"), 100 Vanguard Boulevard, Malvern, Pennsylvania 19355, reported beneficial ownership of the shares as of December 31, 2010 in a Schedule 13G filed with the SEC. Vanguard, an investment adviser, reported having sole voting power and shared dispositive power over 35,974 shares and sole dispositive power over 1,421,161 shares.

## EXECUTIVE COMPENSATION

### Compensation Discussion And Analysis

**Overview of Compensation Program**

The Compensation Committee (for purposes of this Compensation and Discussion Analysis, the "Committee") of the Board is comprised of four independent, non-employee directors. The Committee has the responsibility for establishing and monitoring adherence to the Company's executive compensation philosophy and implementing compensation programs consistent with such philosophy. The Committee reviews and approves the Company's goals and objectives relevant to the compensation of the Chief Executive Officer ("CEO") and the other Named Executive Officers (each of whom is identified in the Summary Compensation Table on page 27 of this Proxy Statement). The Committee then evaluates the performance of the Named Executive Officers in light of these established goals and objectives to determine the compensation of the Named Executive Officers, including base pay, annual incentive pay, long-term equity incentive pay and any other benefits and/or perquisites.

**Compensation Philosophy and Objectives**

We have designed the executive compensation program to attract, develop, reward and retain quality management talent in order to facilitate the Company's achievement of its annual, long-term and strategic goals. Our goal is to align our executives' interests with our shareholders' interests by creating a pay-for-performance culture at the executive level, with the ultimate objective of increasing shareholder value. At the same time, executive compensation should recognize the contributions of individual executives to the Company's goals and objectives, and should be competitive with compensation provided by both the Company's functional industry peers as well as financial peers. Thus, while executive compensation should be directly linked to performance, it should also be an incentive for executives to continually improve performance.

In order to meet its goals of attracting, developing, rewarding and retaining superior executive management, we utilize a compensation package that considers the compensation of similarly situated executives at peer organizations, the length of tenure of the executive, and the value of the executive to the organization. We use annual cash incentives tied to the Company's performance measured against established goals. We award long-term compensation to recognize and reward past performance of the Company measured against established goals, to encourage retention of its executive management team, to encourage the Company's executives to hold a long-term stake in the Company and to align the executives' long-term compensation directly with the shareholder's long-term value.

**2010 in Brief**

During the year ended December 31, 2010, the Company experienced significant year-over-year increases in its consolidated revenues and results from operations.

- Operating revenue increased by $66.5 million, or 15. 9%, to $483.9 million for the year ended December 31, 2010 from $417.4 million for the year ended December 31, 2009.

- Income from operations improved to $53.7 million for the year ended December 31, 2010 from $18.6 million (including the impact of the impairment charge described below) in the prior year.

- Net income per diluted share for the year ended December 31, 2010 was $1.10 compared with

$.34 in the prior year (including the impact of a $7.2m pre-tax charge in 2009 for impairment of goodwill and other intangible assets).

Under this backdrop of improved Company performance, our pay-for-performance philosophy and existing programs led to the following Committee actions and plan payouts to our Named Executive Officers for 2010:

- Base salary increases to our Named Executive Officers for 2010 ranged from 0% to 16%. Mr.Campbell, Mr. Bell and Mr. Jewell received no increase to their base salaries in 2010; their salaries remained static at their 2009 levels. Mr. Ruble and Mr. Drum received base salary increases of 16% and 4%, respectively, as a result of additional duties and responsibilities that they assumed during the year.

- Our annual incentive plan paid out at 109% of base salary after a year in which the Company's operating income increased 189% over the prior year (when including in the 2009 results the impact of the $7.2m pre-tax charge described above).

- Long-term equity incentive awards were granted to our Named Executive Officers for 2010 in the form of stock options having an exercise or strike price equal to the closing price of our common stock on the date the awards were granted and a three-year vesting schedule to assist in retaining our executive officers and ensuring that they maintain a long-term perspective on driving positive shareholder value.

- Certain stock options granted in prior years increased in value during the year since our stock price increased from $25.03 (closing price on December 31, 2009) to $28.38 (closing price on December 31, 2010) during the course of the year. Some prior years' stock options remained underwater, however, meaning that these options have a grant or strike price which is higher than the price at while our stock is trading.

**Role of Executive Officers in Compensation Decisions**

The Committee makes all compensation decisions related to the CEO subject to and consistent with the terms of the employment agreement between the Company and the CEO. The CEO makes recommendations regarding base salary, annual incentive pay and long-term equity incentive awards for the other Named Executive Officers and provides the Committee with justification for such awards. Specifically, the CEO will review the performance of each of the other Named Executive Officers for the Committee and then make compensation recommendations. While the Committee gives great weight to the recommendations of the CEO, it has full discretion and authority to make the final decision on the salaries, annual incentive awards and long-term equity incentive awards as to all of the Named Executive Officers.

**Setting Executive Compensation**

Based on the foregoing objectives, we have structured the Company's annual and long-term incentive-based cash and non-cash executive compensation to motivate executives to achieve the business goals set by the Company and to reward the executives for achieving such goals.

In making compensation decisions for 2010, the Committee compared each element of total compensation to market data that its independent executive compensation consultant prepared in late 2009 and early 2010. It used data from two primary data sources: (1) general industry data from Aon Hewitt's Total

Compensation Measurement™ database; and (2) a group of publicly-traded functional industry and financial peers (collectively, the "Peer Group"). The general industry data was the Committee's primary data source, while the Peer Group data was used only for reference.

The functional industry peers consist of a variety of publicly-traded transportation and logistics companies, which while having a median revenue size larger than the Company, most accurately resemble the Company in model and performance in the transportation sector. The financial peers consist of a variety of publicly-traded companies that have similar financial traits as the Company in such areas as, but not limited to, net sales, EBITDA and ROE (return on equity). The financial peers are not direct competitors but they serve as good comparisons because of their financial size and performance. With the assistance of its consultant, the Committee undertook a comprehensive review of the Peer Group in late 2009. As a result of that review, the Committee restructured the Peer Group for the fiscal year 2010, replacing four financial peer companies with six new financial peer companies whose financial traits more closely resembled that of the Company. Additionally, the Committee removed two functional peers in order to provide a better balance of financial and functional peers in the Peer Group.

The Peer Group for the fiscal year ended December 31, 2010 consisted of the following companies:

- IDEXX Laboratories Inc.
- Knight Transportation, Inc.
- Old Dominion Freight Line, Inc.
- UTi Worldwide, Inc.
- Parker Drilling Co
- FactSet Research Systems Inc.
- Hub Group, Inc.
- Landstar System, Inc.
- Pacer International, Inc.
- Wright Express Corp.
- Immucor Inc.
- Meridian Bioscience Inc.

The consultant presented the Committee with data for pay opportunities at the size-adjusted 50th percentile of the market for executives holding similar positions. The Committee considered the data as one of the factors in considering an executive's base salary, but also considered other factors such as the experience level of the individual, the value of the individual executive to the Company, the individual's level within the Company, existing and prior year awards for the individual and other factors.

**2010 Executive Compensation Components**

For the fiscal year ended December 31, 2010, the principal components of compensation for Named Executive Officers were:

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

**Base Salary**

The Company provides its Named Executive Officers and other employees with base salaries to compensate them for services rendered during the fiscal year. Base salary ranges for 2010 for the Named Executive Officers were determined for each executive based on his position and responsibility and by reference to the market data. Additionally, the Committee conducted an internal review of each executive's compensation, both individually and compared to other Named Executive Officers, including factors such as level of experience and qualifications of the individual, scope of responsibilities and future potential, goals and objectives established for the executive as well as the executive's past performance. Base salaries for the Named Executive Officers and other executives at the Company are reviewed and adjusted on an annual basis as part of the Company's overall performance review process (or upon a promotion or change in the executive's duties). The base salaries for the Named Executive Officers for the fiscal year ended December 31, 2010 are set forth in the "Salary" column of the Summary Compensation Table on page 27 of this Proxy Statement.

**Annual Incentive Compensation**

Annual incentive payments to the Named Executive Officers are payments of a certain percentage of the executive's pay for reaching a pre-established goal for operating income. The Company has a history of setting the same percentage of base salary for each Named Executive Officer, and did so for 2010. The result was a 2010 target bonus and aggregate target bonuses for all of the Named Executive Officers that were below the market data discussed previously. The Committee tries to ensure that the plan will promote high performance and achievement, encourage growth in shareholder value, and promote and encourage retention of the Company's executive talent. The Committee adopted an incentive payment grid which established operating income goals for the fiscal year ended December 31, 2010 and the resulting incentive payments for achievement of such goals. The 2010 incentive performance plan was as follows:

| Operating Income (In thousands) | Percentage Payout (Of salary) |
|---|---|
| $ 25,946 | 0 % |
| $ 28,815 | 10 % |
| $ 31,684 | 20 % |
| $ 34,552 | 30 % |
| $ 37,421 | 40 % |
| $ 40,290 | 50 % |
| $ 42,610 | 60 % |
| $ 44,931 | 70 % |
| $ 47,251 | 80 % |
| $ 49,572 | 90 % |
| $ 51,892 | 100 % |
| $ 53,731 | 110 % |
| $ 55,571 | 120 % |
| $ 57,410 | 130 % |
| $ 59,249 | 140 % |
| $ 61,089 | 150 % |
| $ 62,928 | 160 % |
| $ 64,767 | 170 % |
| $ 66,606 | 180 % |
| $ 68,446 | 190 % |
| $ 70,285 | 200 % |

The Committee set the 0% payout level of the 2010 incentive performance grid to reflect the incentive percentage (of salary) that would be paid if the Company replicated its prior year's operating income performance. The 50% payout level ("Target") would have been indicated if the Company increased its prior year's operating income by 57%.The 100% payout level ("Stretch") required a 100% increase, or doubling, of the prior year's operating income. The payout under the annual incentive plan is capped at 200%. The

Committee had discretion as to the amount, if any, of any annual incentive awards to the Company's executives for results that fell below the established performance levels, or between such levels.

The Committee met in December of 2010 to determine whether the Company's 2010 performance merited payment to the Named Executive Officers under the annual incentive plan, and, if so, to determine the amount of such incentive awards. Based upon the Company's operating income, the Committee authorized the payment of the annual incentive in a two-step process, with 90% of the projected incentive amount to be paid prior to December 31, 2010 and the balance, if any, to be paid during the first quarter of the 2011 fiscal year. This two-step approach was contingent upon receipt of an executed claw-back agreement from each of the Named Executive Officers, and other eligible officers, wherein the Company could recoup any of the incentive monies which were proved not to be owing to the Named Executive Officer under the Company's 2010 annual incentive performance plan. Based upon the Company's operating income for the fiscal year ended December 31, 2010, the Committee awarded a cash incentive of 109% of salary for each of the Named Executive Officers. (See, individual incentive award amounts set forth in the "Non-equity Incentive Plan" column of the Summary Compensation Table on page 27 of this Proxy Statement).

**Long-Term Equity Incentive Awards**

Stock options were our sole form of long-term incentive for 2010. Stock options are viewed as linked to shareholder interests since they provide value only if share price increases. In making individual long-term incentive equity awards under the Amended and Restated Stock Option and Incentive Plan (the "Amended and Restated Plan"), the Committee considers a number of factors including the Company's past financial performance, the individual performance of each executive, the retention goal of such a long-term equity incentive award, the grant date value of any proposed award, the other compensation components for the executive, equity plan compensation dilution, the executive's stock ownership and option holdings and market data for long-term equity incentive awards as discussed previously.

During 2010, the Committee awarded stock options, under the Amended and Restated Plan, to the Named Executive Officers. The awards have a vesting period of three years and vest evenly over that three-year period. The options will expire if not exercised within seven years of the grant date. These options will vest upon the death or disability of the recipient, as well as upon a "Change in Control," as such term is defined in the Amended and Restated Plan.

Awards made to the Named Executive Officers under the Amended and Restated Plan for the fiscal year ended December 31, 2010 are set forth in the Grants of Plan-Based Awards for Fiscal 2010 Table on page 29 of this Proxy Statement.

**Stock Ownership Guidelines**

Although the Company encourages ownership of Company common stock by the Named Executive Officers, no required ownership guidelines have been established.

**Retirement and Other Benefits**

All full-time Company employees are entitled to participate in the Company's 401(k) retirement plan. Under the Company's 401(k) retirement plan, the Company matches 25% of an employee's contribution up to 6% of the employee's salary, subject to the rules and regulations on maximum contributions by individuals under such a plan. Matching contributions to the Named Executive Officers for the fiscal year ended December 31, 2010 are reflected in the "401(k) Match" column of the All Other Compensation Table on page 28 of this Proxy Statement.

Additionally, all full-time employees of the Company are eligible to participate in the Company's 2005 Employee Stock Purchase Plan (the "2005 ESPP") upon enrolling in the 2005 ESPP during one of the established enrollment periods. Under the terms of the 2005 ESPP, eligible employees of the Company 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 2005 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 2005 ESPP, no Company 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 2005 ESPP.

Other than as described above, the Company does not have or provide any supplemental executive retirement plan, or similar plan that provides for specified retirement payments or benefits. Moreover, the

Company does not have or provide any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

**Risk Management**

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

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

- Balanced mix of pay including substantial base salary (fixed compensation) and a balance of annual (cash) and long-term (equity) incentives
- Capped short-term incentives
- Short-term incentive goals tied to financial goals of corporate-level strategic plan
- Annual stock option grants without backdating or repricing

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 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 at the Company either have similar characteristics or are small in amount.

**Potential Payments upon Termination or Change in Control**

Under the Amended and Restated Plan, any non-vested restricted shares, options or other forms of equity-based compensation will vest upon a "Change in Control." The market values of all non-vested restricted shares held by the Named Executive Officers as of December 31, 2010 which would vest upon a Change in Control are set forth in the "Change in Control" column of the 2010 Potential Payments Upon Termination, Change of Control, Death or Disability Table on page 33 of this Proxy Statement. Additionally, under Mr. Campbell's Employment Agreement, described in detail below, in the event of a Change in Control Mr. Campbell may elect to resign and receive (i) his base salary for twelve months following the date of the change of control; and (ii) a cash bonus equal to the prior year's year-end cash bonus, plus any unpaid bonus amounts previously earned.

If the Company were to terminate Mr. Campbell without "just cause," he would be entitled to receive (i) his base salary for the longer of one year from the date of termination or the remainder of the then-pending term of the Employment Agreement but not to exceed two years; (ii) any unpaid bonus amounts previously earned; and (iii) continued insurance coverage for one year from the date of such termination. Under the Company's Annual Incentive Plan, any unpaid incentive amounts previously earned under this plan would be payable to any Named Executive Officer terminated without cause. The payments due to Mr. Campbell in the event he is terminated without "just cause" are set forth in the "Termination without Cause" column on page 33 of this Proxy Statement.

**Perquisites and Other Personal Benefits**

The Company provides its Named Executive Officers with perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the Named Executive Officers. The Named Executive Officers are provided a monthly car allowance and reimbursement of certain commuting expenses. The amounts of such benefits received by each Named Executive Officer for the fiscal year ended December 31, 2010 are set forth in the "Car Allowance and Commuting Expenses" column of the All Other Compensation Table on page 28 of this Proxy Statement.

Additionally, the Named Executive Officers are 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 of the Company's full-time employees.

**Tax and Accounting Implications**

*Deductibility of Executive Compensation.* The Compensation 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 Compensation 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.

Section 162(m) of the Internal Revenue Code generally disallows a federal income tax deduction to public corporations for compensation greater than $1 million paid for any fiscal year to the corporation's chief executive officer and to the three most highly compensated executive officers other than the chief executive officer or chief financial officer. However, certain forms of performance-based compensation are excluded from the $1 million deduction limit if specific requirements are met. It is the policy of the Compensation Committee to periodically evaluate the qualification of compensation for exclusion from the $1 million deduction limit under Section 162(m) of the Internal Revenue Code, while maintaining flexibility to take actions with respect to compensation that it deems to be in the interest of the Company and its shareholders which may not qualify for tax deductibility.

We account for stock-based compensation in accordance with generally accepted accounting principles. 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.

**Employment Agreement with Bruce A. Campbell**

There is an Employment Agreement between Bruce A. Campbell and the Company, which was effective October 30, 2007. This Employment Agreement was amended in December of 2008 to the extent necessary to make the Agreement comply with Section 409A of the Internal Revenue Code and the Treasury regulations promulgated under that section, which relate to nonqualified deferred compensation. The Employment Agreement was subsequently amended in February of 2009 to extend the term of the Agreement to December 31, 2012. (The Employment Agreement and all amendments thereto are referred to collectively as the "Employment Agreement".) The term of the Employment Agreement automatically extends for one additional year unless terminated by the Board of Directors or Mr. Campbell upon prior notice.

Under the Employment Agreement, Mr. Campbell received an annual base salary of no less than $400,000 until January 31, 2008 and effective February 1, 2008, his base salary increased to $500,000. The Employment Agreement was amended again on December 15, 2010. This third amendment to the Employment Agreement set Mr. Campbell's annual base salary at not less than $500,000, subject to adjustment annually in the discretion of the Compensation Committee. Mr. Campbell is eligible under the Employment Agreement to receive an annual year-end cash bonus dependent upon the achievement of performance objectives by Mr. Campbell and the Company as established by the Compensation Committee. The third Amendment to the Employment Agreement established that this year-end bonus may be paid in one or more installments, on or after December 1st of the measurement year but no later than March 15th of the following year. The Employment Agreement provides that Mr. Campbell will be entitled to the same fringe benefits as are generally available to the Company's executive officers.

Under the Employment Agreement, Mr. Campbell was granted 200,000 stock options under the 1999 Plan (as defined below). These options vested equally over a three year period and are all now fully vested. These options have a five (5) year term. The Employment Agreement also provides that the Company reserves the right to grant and/or award other long-term equity to Mr. Campbell under the 1999 Plan or such other plans that the Company may adopt.

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

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

The Company does not have employment agreements with any of its other Named Executive Officers.

**Prospective Information**

During 2010, the Compensation Committee and its independent executive compensation consultant, along with management, assessed the Company's approach to the short-term and long-term incentive components of executive compensation for the 2011 fiscal year. As a result of that effort, the Company has modified its approach to short-term and long-term incentives for its executive officers. With respect to short-term incentives, the Committee has retained the bulk of the current plan structure with the short-term incentive being driven by the Company's operating income results. The balance of the short-term incentive will consist of individual objectives for each Named Executive Officer established each year by the Chief Executive Officer, subject to approval by the Compensation Committee. This individual objective component will be weighted between 10% to 35% of the short-term incentive opportunity depending upon the individual Named Executive Officer's objectives. This structure better enables recognition of individual executive contribution as a component of short-term incentive.

With respect to the long-term incentive, the Company has substantially revised this component for its Named Executive Officers for fiscal year 2011. For 2011, the Named Executive Officers' long-term incentive will be comprised of three parts: stock options, restricted stock and performance shares (based upon share value appreciation versus a group of industry peers measured over a three-year period). This new long-term incentive structure better accomplishes the Company's goal of creating a pay-for-performance culture at the executive level, while striking the appropriate balance between risk and compensation.

**Compensation Committee Report on Executive Compensation**

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.

Submitted by:

*C. Robert Campbell, Chairman*
*C. John Langley, Jr.*
*Ray A. Mundy*
*Richard W. Hanselman*
*The Compensation Committee of the Board of Directors*

## Summary Compensation Table

The following table shows the compensation earned in 2010, 2009 and 2008 by the Named Executive Officers.

| Name | Year | Salary ($) | Bonus ($) (1) | Option Award(s) ($) (2) | Payments Under Non-Equity Incentive Plan ($) (3) | All Other Compensation ($) (4) | Total |
|---|---|---|---|---|---|---|---|
| Bruce Campbell | 2010 | $ 500,000 | $ - | $ 823,780 | $ 550,000 | $ 15,321 | $ 1,889,101 |
| | 2009 | 500,000 | 75,000 | 796,460 | - | 14,836 | 1,386,296 |
| | 2008 | 492,329 | - | - | - | 18,115 | 510,444 |
| Rodney Bell | 2010 | 268,070 | - | 411,890 | 304,776 | 16,693 | 1,001,429 |
| | 2009 | 268,070 | 42,000 | 398,230 | - | 16,089 | 724,389 |
| | 2008 | 267,186 | - | 409,410 | - | 17,993 | 694,589 |
| Matthew Jewell | 2010 | 268,070 | - | 411,890 | 304,776 | 13,982 | 998,718 |
| | 2009 | 268,070 | 42,000 | 398,230 | - | 11,767 | 720,067 |
| | 2008 | 267,186 | - | 409,410 | - | 11,329 | 687,925 |
| Chris Ruble | 2010 | 317,949 | - | 411,890 | 366,576 | 13,394 | 1,109,809 |
| | 2009 | 274,250 | 42,000 | 398,230 | - | 13,163 | 727,643 |
| | 2008 | 273,346 | - | 409,410 | - | 14,079 | 696,835 |
| Craig Drum | 2010 | 241,634 | - | 296,561 | 266,431 | 13,735 | 818,361 |
| | 2009 | 232,020 | 36,000 | 286,726 | - | 11,037 | 565,783 |
| | 2008 | 231,251 | - | 204,705 | - | 11,066 | 447,022 |

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(1) The 2009 bonus represents discretionary awards approved by the Compensation Committee of the Board as allowed for under the 2009 Annual Cash Incentive Plan.

(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 aggregated grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2010 Table on page 29 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, 2010, filed with the SEC.

(3) Represents cash incentives earned under the 2010 Annual Cash Incentive Plan

(4) See the All Other Compensation Table on page 28 of this Proxy Statement for additional information.

## All Other Compensation Table

The following table shows the components of "all other compensation" earned in 2010, 2009 and 2008 by the Named Executive Officers for the years ended December 31, 2010, 2009 and 2008.

| Name | Year | Total All Other ($) | Car Allowance and Commuting Expenses ($) (1) | 401(k) Match ($) (2) | Dividends ($) (3) | Long-Term Disability Insurance ($) (4) |
|---|---|---|---|---|---|---|
| Bruce A. Campbell | 2010 | $ 15,321 | $ 10,443 | $ 2,528 | $ - | $ 2,350 |
| | 2009 | 14,836 | 9,899 | 2,545 | - | 2,392 |
| | 2008 | 18,115 | 11,134 | 3,180 | 1,408 | 2,393 |
| Rodney L. Bell | 2010 | 16,693 | 11,287 | 4,146 | - | 1,260 |
| | 2009 | 16,089 | 10,538 | 4,156 | 93 | 1,302 |
| | 2008 | 17,993 | 11,656 | 3,822 | 1,213 | 1,302 |
| Matthew J. Jewell | 2010 | 13,982 | 9,000 | 3,722 | - | 1,260 |
| | 2009 | 11,767 | 9,000 | 1,465 | - | 1,302 |
| | 2008 | 11,329 | 9,000 | - | 1,027 | 1,302 |
| Chris C. Ruble | 2010 | 13,394 | 9,000 | 2,900 | - | 1,494 |
| | 2009 | 13,163 | 9,000 | 2,832 | - | 1,331 |
| | 2008 | 14,079 | 9,000 | 2,768 | 980 | 1,331 |
| Craig A. Drum | 2010 | 13,735 | 9,000 | 3,599 | - | 1,136 |
| | 2009 | 11,037 | 9,000 | 904 | - | 1,133 |
| | 2008 | 11,066 | 9,000 | - | 933 | 1,133 |

(1) The Company provides a $9,000 annual car allowance plus reimbursement of certain commuting expenses to officers.
(2) The amount shown represents the Company's contributions to the 401(k) Plan.
(3) Represents dividend payments on non-vested restricted shares granted during 2006. These dividend payments are nonforfeitable.
(4) Represents premiums paid by the Company for long-term disability insurance for officers of the Company.

**Plan-Based Awards for Fiscal 2010**

The following table shows the plan-based awards granted to the Named Executive Officers in 2010.

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($) | Target ($) | Maximum ($) | All Other Option Awards; Numbers of Securities Underlying Options (1), (2) | Exercise or Base Price of Option Awards (3) | Closing Market Price of Underlying Security on Date of Grant | Grant Date Fair Value of Stock and Option Awards |
|---|---|---|---|---|---|---|---|---|
| Bruce Campbell | 2/7/2010 | $50,000 | $250,000 | $1,000,000 | | | | |
| | 2/7/2010 | | | | 100,000 | $22.47 | $22.47 | $823,780 |
| Rodney Bell | 2/7/2010 | 26,807 | 134,035 | 536,140 | | | | |
| | 2/7/2010 | | | | 50,000 | 22.47 | 22.47 | 411,890 |
| Matthew Jewell | 2/7/2010 | 26,807 | 134,035 | 536,140 | | | | |
| | 2/7/2010 | | | | 50,000 | 22.47 | 22.47 | 411,890 |
| Chris Ruble | 2/7/2010 | 33,325 | 166,625 | 666,500 | | | | |
| | 2/7/2010 | | | | 50,000 | 22.47 | 22.47 | 411,890 |
| Craig Drum | 2/7/2010 | 25,202 | 126,010 | 504,040 | | | | |
| | 2/7/2010 | | | | 36,000 | 22.47 | 22.47 | 296,561 |

(1) Represents stock options granted under the Amended and Restated Plan.
(2) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
(3) In accordance with the provisions of the Amended and Restated 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, 2010.

| | Option Awards | | | | |
|---|---|---|---|---|---|
| **Name** | **Number of Securities Underlying Unexercised Options (#) Exercisable (1)** | **Number of Securities Underlying Unexercised Options (#) Unexercisable (2)** | **Option Exercise Price ($)** | **Option Grant Date** | **Option Expiration Date** |
| Bruce Campbell | 172,453 | | $ 13.25 | 2/7/03 | 2/7/13 |
| | 45,001 | | 20.21 | 10/27/03 | 10/27/13 |
| | 150,000 | | 28.97 | 2/14/05 | 2/14/15 |
| | 100,000 | | 31.65 | 2/11/07 | 2/11/14 |
| | 200,000 | | 30.35 | 10/30/07 | 10/30/12 |
| | 33,334 | 66,666 | 22.87 | 2/8/09 | 2/8/16 |
| | | 100,000 | 22.47 | 2/7/10 | 2/7/17 |
| Rodney Bell | 70,686 | | 23.17 | 2/12/01 | 2/12/11 |
| | 30,000 | | 18.82 | 2/4/04 | 2/4/14 |
| | 112,500 | | 28.97 | 2/14/05 | 2/14/15 |
| | 50,000 | | 31.65 | 2/11/07 | 2/11/14 |
| | 30,000 | 15,000 | 29.44 | 2/10/08 | 2/10/15 |
| | 16,667 | 33,333 | 22.87 | 2/8/09 | 2/8/16 |
| | | 50,000 | 22.47 | 2/7/10 | 2/7/17 |
| Matthew Jewell | 37,500 | | 21.88 | 7/1/02 | 7/1/12 |
| | 4,000 | | 13.25 | 2/7/03 | 2/7/13 |
| | 30,000 | | 18.82 | 2/4/04 | 2/4/14 |
| | 112,500 | | 28.97 | 2/14/05 | 2/14/15 |
| | 50,000 | | 31.65 | 2/11/07 | 2/11/14 |
| | 30,000 | 15,000 | 29.44 | 2/10/08 | 2/10/15 |
| | 16,667 | 33,333 | 22.87 | 2/8/09 | 2/8/16 |
| | | 50,000 | 22.47 | 2/7/10 | 2/7/17 |
| Chris Ruble | 112,500 | | 28.97 | 2/14/05 | 2/14/15 |
| | 50,000 | | 31.65 | 2/11/07 | 2/11/14 |
| | 30,000 | 15,000 | 29.44 | 2/10/08 | 2/10/15 |
| | 16,667 | 33,333 | 22.87 | 2/8/09 | 2/8/16 |
| | | 50,000 | 22.47 | 2/7/10 | 2/7/17 |

| | | | | | |
|---|---|---|---|---|---|
| Craig Drum | 56,250 | | 28.97 | 2/14/05 | 2/14/15 |
| | 50,000 | | 31.65 | 2/11/07 | 2/11/14 |
| | 15,000 | 7,500 | 29.44 | 2/10/08 | 2/10/15 |
| | 12,000 | 24,000 | 22.87 | 2/8/09 | 2/8/16 |
| | | 36,000 | 22.47 | 2/7/10 | 2/7/17 |

(1) All outstanding stock options granted prior to December 31, 2005 were fully exercisable as a result of the Board's accelerating the vesting of all outstanding stock options awarded to employees, officers and non-employee directors under the Company's stock option award plans.

(2) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.

**Option Exercises and Stock Vested**

The following table shows information about options exercised or shares acquired on vesting during 2010.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| **Name** | **Number of Shares Acquired on Exercise (#)** | **Value Realized Upon Exercise ($)** | **Number of Shares Acquired on Vesting (#)** | **Value Realized Upon Vesting ($)** |
| Bruce Campbell | - | $ - | - | $ - |
| Rodney Bell | - | - | - | - |
| Matthew Jewell | - | - | - | - |
| Chris Ruble | - | - | - | - |
| Craig Drum | - | - | - | - |

**2010 Potential Payments Upon Termination, Change of Control, Death or Disability**

The following table shows the estimated benefits payable to each Named Executive Officer in the event of termination of employment or change of control of the Company. The amounts shown assume that a termination of employment or a change of control occurs on December 31, 2010. The amounts do not include payments or benefits provided under insurance or other plans that are generally available to all full-time employees.

| Name | Termination without Cause ($) (1) | Death and Disability ($) (2) | Change of Control ($) (3) |
|---|---|---|---|
| Bruce Campbell | | | |
| Employment Agreement | $ 1,065,109 | $ 1,065,109 | $ 640,109 |
| Amended and Restated Plan | -- | 958,330 | 958,330 |
| Total | $ 1,065,109 | $ 2,023,439 | $ 1,598,439 |
| Rodney Bell | | | |
| Amended and Restated Plan | -- | 463,265 | 463,265 |
| Matthew Jewell | | | |
| Amended and Restated Plan | -- | 463,265 | 463,265 |
| Chris Ruble | | | |
| Amended and Restated Plan | -- | 463,265 | 463,265 |
| Craig Drum | | | |
| Amended and Restated Plan | -- | 337,050 | 337,050 |

(1) The Company entered into an Employment Agreement with Bruce Campbell effective October 30, 2007 which has been subsequently amended to extend the term of the Employment Agreement to December 31, 2012. Under this Agreement, Mr. Campbell is entitled upon termination without "just cause" (as defined in the Agreement) to payment of his base salary for the longer of one (1) year, or the remainder of the Agreement term ($500,000 x 2 years), payment of any bonus previously earned but unpaid ($59,500 of the 2010 Annual Incentive amount of $550,000 had not been paid at year-end), and one (1) year of health insurance continuation ($5,609 COBRA costs). Mr. Campbell is not entitled to any of these payments/benefits if he is terminated with "just cause" or he voluntarily resigns without a "Change in Control" or "Material Change in Duties", as such terms are defined in the Agreement. The Company does not have employment agreements with any of its other Named Executive Officers.

(2) Under his Employment Agreement, upon termination due to his disability or death, Mr. Campbell (or his spouse or estate in the event of death) is entitled to the same payments/benefits that Mr. Campbell is entitled to receive in the event of a termination without "just cause"; however, in the event of termination due to death, all such payments owed shall be made in a lump sum payment within 60 days of his death.

(3) Under his Employment Agreement, upon a Change in Control (as defined in the Agreement), Mr. Campbell is entitled to payment of his base salary for one (1) year payable over the course of the twelve (12) months following the Change in Control ($500,000), payment of any bonus previously earned but unpaid ($59,500 unpaid at year-end under the Annual Incentive Plan), payment of an amount equal to the prior-year's year-end bonus ($75,000) and one (1) year continuation of health insurance ($5,609 COBRA costs). The amounts in the Amended and Restated Plan rows for death, disability and Change in Control reflect unvested option awards detailed in the "Outstanding Equity Awards at Fiscal Year-End" table on page 30, multiplied by the excess, if any, of the market price of our common stock on December 31, 2010 ($28.38) over the exercise price listed in the same table.

**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 2010 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 on the Company's website at www.forwardair.com.

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

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

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

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended December 31, 2010 with the Company's management and has discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, 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.

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 of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for filing with the SEC.

*Tracy A. Leinbach, Chairperson*
*C. Robert Campbell*
*Gary L. Paxton*

**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 2011, 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 2010 and 2009 were as follows:

| | 2010 | 2009 |
|---|---|---|
| Audit Fees (1) | $ 755,880 | $ 780,645 |
| Audit Related Fees (2) | - | 16,960 |
| Tax Fees (2) | 253,237 | 213,950 |
| All Other Fees (2) | - | - |

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**(1)** Includes fees and expenses related to the audit and interim reviews of the Company's financial statements and the audit of the effectiveness of the Company's internal controls over financial reporting for the fiscal year notwithstanding when the fees and expenses were billed or when the services were rendered.

**(2)** Includes fees and expenses for services rendered from January through December of the fiscal year notwithstanding when the fees and expenses were billed.

**Pre-Approval Policies and Procedures**

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services and other services performed by the independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. The Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. During 2010 and as of the date of this Proxy Statement, the Audit Committee pre-approved all of these services.

**PROPOSAL 2 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accounting firm for 2011. As in the past, the Board has determined that it would be desirable to request ratification of the appointment by the shareholders of the Company. If the shareholders do not ratify the appointment of Ernst & Young LLP, the Audit Committee will reconsider the appointment of the independent registered public accounting firm.

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 if the votes cast in favor of the Proposal exceed the votes cast against it. Unless otherwise directed therein, the proxies solicited hereby will be voted for approval of Ernst & Young LLP.

**The Board of Directors recommends that shareholders vote FOR ratification of appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011.**

## PROPOSAL 3 – APPROVAL OF REVISED PERFORMANCE CRITERIA UNDER THE AMENDED AND RESTATED STOCK OPTION AND INCENTIVE PLAN

Under this proposal, the Company's shareholders are being asked to approve revised performance criteria which may apply to performance-based stock awards granted under the Amended and Restated Stock Option and Incentive Plan, as further amended and restated December 17, 2008 (the *Incentive Plan*). Approval of the revised performance criteria will ensure that compensation paid to the Company's executive officers under performance-based stock awards may qualify for deductibility by the Company for federal income tax purposes, making those awards more tax efficient for the Company.

In May 2008, the Company's shareholders approved a short list of performance criteria that may be used by the Compensation Committee when granting performance-based stock awards. Since then, "pay for performance" has become the prevailing trend in executive compensation. Consequently, there has been a proliferation in the design aspects of performance-based awards, including the performance criteria upon which the grant or vesting of such awards are based. The Board believes that expanding the performance criteria available for use under the Incentive Plan will provide the Compensation Committee greater flexibility to design performance-based stock awards that tie compensation of the Company's executive officers to the returns achieved for our shareholders and the accomplishment of various strategic objectives of the Company that drive its continued growth and success.

If this proposal is approved, the Incentive Plan will be amended to reflect the revised performance criteria described below under "*Description of the Business Criteria on which a Performance Goal May Be Based*." Other than the revised performance criteria, shareholders are not being asked under this proposal to approve any other amendment to the Incentive Plan or to reapprove the Incentive Plan as a whole. Specifically, approval of this proposal will not result in any increase in the number of shares issuable under the Incentive Plan nor change the types of awards that may be granted or expand the benefits that eligible participants may receive under the Incentive Plan.

Your vote on this proposal is necessary so that the Company may comply with Section 162(m) of the Internal Revenue Code of 1986 (*Section 162(m)*) when granting performance-based stock awards and thereby ensure that the Company may qualify to deduct, for federal income tax purposes, any compensation that is paid under such awards. Section 162(m) limits a public company from deducting more than $1,000,000 of compensation paid in any one year to its chief executive officer or any of its next three highest compensated officers (other than the chief executive officer and chief financial officer), but qualified performance-based compensation is exempt from this limitation. The Incentive Plan permits the grant of stock awards intended to qualify as "performance-based compensation" as defined under Section 162(m). For awards granted under the Incentive Plan to qualify as performance-based compensation, the material terms of the performance goals upon which awards are conditioned must be disclosed to and approved by the Company's shareholders at least once every five years. Material terms for purposes of Section 162(m) include (1) the individuals eligible to receive compensation; (2) a description of the business criteria on which the performance goal is based; and

(3) the maximum amount of compensation that could be paid to any individual if the performance goal is attained. Each of these aspects of the Incentive Plan is discussed below, and approval of this proposal constitutes approval of these aspects for purposes of the shareholder approval requirements of Section 162(m).

**Summary of Material Terms For Section 162(m) Compliance**

The following description of the material terms of the Incentive Plan is qualified in its entirety by reference to the applicable plan provisions. The full text of the Incentive Plan is filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the *SEC*) on February 26, 2009. You may review a copy of that Annual Report on the SEC's website at www.sec.gov. Amendment No. 1 to the Incentive Plan, which contains the proposed revision to the performance criteria, is attached to this proxy statement as Appendix A. You may also request a copy of the Incentive Plan or Amendment No. 1 by writing the Company's Secretary at Forward Air Corporation, 430 Airport Road, Greeneville, Tennessee 37745, or calling (423) 636-7000.

*Individuals Eligible to Receive Awards as Compensation*

Officers, employees and other service providers who provide key services to the Company or any subsidiary are eligible to receive awards under the Incentive Plan. As of March 15, 2011, the Company had approximately 34 officers and 25 employees eligible to participate in the Incentive Plan. Non-employee directors are ineligible for awards under the Incentive Plan.

The Compensation Committee, which is comprised solely of independent non-employee directors, administers the Incentive Plan and determines the type of award, when and to whom awards are granted, and the number of shares covered by each award. The types of awards that may be granted under the Incentive Plan include stock options, stock appreciation rights (*SARs*), restricted stock, and performance awards. Options granted under the Incentive Plan may be "incentive stock options" (*ISOs*), within the meaning of Section 422 of the Internal Revenue Code, or nonqualified stock options (*NQSOs*). ISOs may be granted only to individuals who are employees of the Company or its subsidiaries. In determining the persons to whom awards shall be granted and the number of shares covered by each award, the Compensation Committee takes into account the contribution to the management, growth and profitability of the business of the Company by the respective persons and such other factors as the Compensation Committee deems relevant.

*Description of Business Criteria on Which a Performance Goal May Be Based*

The Compensation Committee may grant stock awards in a manner intended to be qualified as performance-based compensation under Section 162(m) (i.e., performance-based stock awards). The grant of, or vesting with respect to, such performance-based stock awards will be based upon one or more of the following business criteria (the *Performance Goals*) and objective performance targets to be attained relative to those Performance Goals:

- *Earnings or Profitability Metrics*: including, but not limited to, earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes ("EBIT"); earnings/loss before interest, taxes, depreciation and amortization ("EBITDA"); profit margins; expense levels or ratios; in each case adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments, early extinguishment of debt or stock-based compensation expense;

- *Return Metrics*: including, but not limited to, return on investment, assets, equity or capital (total or invested);

- *Cash Flow Metrics*: including, but not limited to, operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

- *Liquidity Metrics*: including, but not limited to, capital raising; debt reduction; extension of maturity dates of outstanding debt; debt leverage (debt-to-capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios) or access to capital; debt ratings; total or net debt; other similar measures approved by the Compensation Committee;

- *Stock Price and Equity Metrics*: including, but not limited to, return on stockholders' equity; total stockholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes); price-to-earnings ratio; and

- *Strategic and Operating Metrics*: including, but not limited to, geographic footprint; revenue (gross, operating or net); Forward Air Complete pick-up and delivery revenue; revenue per pound or carton; fuel surcharge revenue; airport-to-airport revenue; other pick-up and delivery revenue; logistics revenue; other revenue; revenue growth; network tonnage density; total tonnage or cartons shipped; pounds or carton per shipment; labor or other operating costs per pound or carton; miles driven; percentage of miles driven by Company-employed drivers, owner-operators and/or third party transportation providers; new business or customer wins; market share; market penetration; growth in assets; key hires; owner-operator recruitment; management of employment practices and employee benefits; purchased transportation; operating leases; effective income tax rates; business expansion; acquisitions, divestitures, collaborations, licensing or joint ventures; financing; resolution of significant litigation; and legal compliance or risk reduction.

Performance targets may include minimum, maximum and target levels of performance, with the size of the performance-based stock award or the vesting of such award based on the level attained. Each of the Performance Goals will be determined, to the extent applicable, in accordance with generally accepted accounting principles and will be subject to certification by the Compensation Committee; provided, that the Compensation Committee will have the authority to make equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company. Stock awards that are granted upon satisfaction of Performance Goals may be subject to further restrictions for a restricted period or may be free of restrictions, as determined by the Compensation Committee.

*Maximum Amount of Compensation that Could Be Paid to Any Individual if the Performance Goal Is Attained*

The Incentive Plan limits the number of shares with respect to which awards (including options, SARs, restricted stock, and performance awards) may be granted to any individual to no more than 300,000 shares in any fiscal year. The maximum number of shares of common stock that may be issued in connection with awards granted under the Incentive Plan since its inception in May 1999 is 7,500,000 shares. The per-person share limit and the maximum number of shares issuable under the Incentive Plan are adjusted if there is any change in the shares of common stock of the Company through the declaration of extraordinary cash dividends, stock dividends, recapitalization, stock splits, or combinations or exchanges of such shares, or other similar transactions.

*Other Principal Features of the Incentive Plan*

Summarized below are the other principal features of the Incentive Plan, none of which are being amended at this time.

The Compensation Committee determines, in its sole discretion, the purchase price of the shares of common stock covered by an option and the kind of consideration payable with respect to any awards; provided, however, that the price must not be less than the fair market value (as defined in the Incentive Plan) on the date of grant, and provided further that the option price must be 110% of the fair market value in the case of ISOs granted to "ten percent stockholders" (as defined in the Incentive Plan). The closing price of the common stock of the Company on March 15, 2011, was $27.79, as reported on the Nasdaq Stock Market. The Compensation Committee may provide for the payment of the option price in cash, by delivery of shares of common stock having a fair market value equal to such option price, by a combination thereof or by any other method in accordance with the terms of the option agreements. The Incentive Plan contains special rules governing the time of exercise in the case of death, disability, or other termination of employment and also provides for acceleration of the exercisability of options in the event of a Change in Control (as defined in the Incentive Plan). The Incentive Plan limits the Compensation Committee's discretion to accelerate the time at which an outstanding option becomes exercisable with respect to all shares issuable under the Incentive Plan other than 300,000 of such shares (the "*Excepted Shares*").

The Incentive Plan also permits the Compensation Committee to grant SARs with respect to all or any portion of the shares of common stock covered by options. Each SAR will confer a right to receive cash, stock, or a combination of both, in an amount with respect to each share subject thereto, upon exercise thereof, equal to the excess of (i) the fair market value of one share of common stock on the date of exercise over (ii) the grant price of the SAR. The grant price of any SAR granted in tandem with an option will be equal to the exercise price of the underlying option, and the grant price of any other SAR will be such price as the Compensation Committee determines but not less than the fair market value of the common stock on the grant date of the SAR. The Compensation Committee may, in its sole discretion, condition the exercise of any SAR upon the attainment of specified Performance Goals.

The Incentive Plan also provides for the grant of restricted stock awards, which are awards of common stock that may not be transferred or otherwise disposed of, except by will or the laws of descent and distribution, for such period as the Compensation Committee determines (the *Restricted Period*). Other than with respect to restricted stock awards relating to the Excepted Shares or as otherwise provided in the Incentive Plan with respect to a Change in Control of the Company, no Restricted Period may lapse earlier than (A) one year after the date of grant of the restricted stock award if the Restricted Period's lapsing is conditioned upon the attainment of performance targets, or (B) proportionately over a three-year period measured from the date of grant of the restricted stock award if the Restricted Period's lapsing is conditioned solely upon continued employment or service for a specified period of time. The Committee may provide, however, that the Restricted Period shall lapse in whole or in part upon the Grantee's death, disability, or retirement.

If, during the Restricted Period, the grantee's continuous employment with the Company terminates for any reason, any shares remaining subject to restrictions will be forfeited, unless otherwise determined by the Compensation Committee. Solely with respect to restricted to restricted stock awards of Exception Shares, the Compensation Committee has the authority to cancel any or all outstanding restrictions prior to the end of the Restricted Period, including cancellation of restrictions in connection with certain types of termination of employment. A performance award is a stock award the granting of which, or the lapsing of restrictions with respect to which, is subject to achievement of one or more Performance Goals and objective performance targets to be attained relative to those Performance Goals. Stock awards that are granted upon satisfaction of Performance Goals may be subject to further restrictions for a Restricted Period or may be free of restrictions, as determined by the Compensation Committee.

Awards granted under the Incentive Plan become immediately exercisable or otherwise nonforfeitable in full in the event of a Change in Control of the Company, notwithstanding specific terms of the awards providing otherwise. Furthermore, with respect to stock options granted under the Incentive Plan, following a

Change in Control, the Compensation Committee may, in its discretion, permit the cancellation of such options in exchange for a cash payment in an amount per share equal, generally, to the difference between the highest fair market value per share of common stock during the 60-day period preceding the Change in Control and the exercise price. A Change in Control is defined in the Incentive Plan to include, among other things, (i) the acquisition of securities representing a majority of the combined voting power of all classes of capital stock by any person (other than the Company and other related entities); (ii) the merger or consolidation of the Company into or with another entity (with certain exceptions); (iii) the sale or other disposition of all or substantially all of the Company's assets; (iv) the liquidation or dissolution of the Company; or (v) a change in the composition of the Board in any two-year period such that individuals who were Board members at the beginning of such period cease to constitute a majority thereof (with certain exceptions).

The Board or the Compensation Committee may at any time and from time to time suspend, amend, modify or terminate the Incentive Plan; provided, however, that no amendment that requires shareholder approval in order for the Incentive Plan to continue to comply with applicable law or the rules of the principal securities exchange on which shares of the common stock of the Company are listed will be effective unless and until such amendment has received the requisite approval by the Company's shareholders. Unless the Incentive Plan is terminated earlier by the Board, awards may be granted before the plan's scheduled termination on March 1, 2018.

*Incentive Plan Benefits*

*Future Awards:* Awards are subject to the discretion of the Compensation Committee, so the benefits or amounts that any participant or group of participants may receive in the future under the Incentive Plan are not currently determinable.

*Past Awards:* The aggregate numbers of shares of common stock made subject to awards granted to certain persons and groups under the Incentive Plan since its initial adoption in February 1999 are as follows: (*1*) Bruce A. Campbell, Chairman, Chief Executive Officer and President, **939,464** shares; (*2*) Rodney L. Bell, Chief Financial Officer, Senior Vice President and Treasurer, **500,798** shares; (*3*) Matthew J. Jewell, Executive Vice President, Chief Legal Officer and Secretary, **447,296** shares; (*4*) Chris C. Ruble, Executive Vice President, Operations, **416,796** shares; (*5*) Craig A. Drum, Senior Vice President, Sales, **298,388** shares; (*6*) all current executive officers as a group, an aggregate of **2,736,130** shares; (*7*) all current directors who are not executive officers as a group, an aggregate of **0** shares; and (*8*) all employees, including current officers who are not executive officers, as a group, an aggregate of **3,907,963** shares.

*Certain U.S. Federal Income Tax Consequences*

The following is a brief summary of certain U.S. federal income tax aspects of options awarded under the Incentive Plan based upon the federal income tax laws in effect on the date of this Proxy Statement. This summary is not intended to be exhaustive and the exact tax consequences to any grantee will depend upon his or her particular circumstances and other facts.

*Incentive Stock Options.* Neither the grant nor the exercise of an ISO will result in taxable income to the employee. The tax treatment on sales of shares of common stock acquired upon exercise of an ISO depends on whether a statutory holding period requirement is satisfied. If the holding period requirement is satisfied, the excess of the amount realized upon sale of the shares over the exercise price paid to purchase these shares will be treated as a long-term capital gain, and the Company will not be entitled to take a compensation deduction for such gain. If the employee disposes of the common stock before the holding period requirement is met, the excess of the fair market value of the shares on the date of exercise or, if less, the fair market value on the date of disposition, over the exercise price paid will be taxable as ordinary compensation income to the employee at the time of disposition, and the Company will be entitled to a corresponding tax deduction. The balance of the gain, if any, will be a capital gain for the employee.

*Nonqualified Stock Options.* There will be no federal income tax consequences to the Company or to the grantee upon the grant of a NQSO under the Incentive Plan. However, upon the exercise of a NQSO, the grantee will recognize ordinary compensation income for federal income tax purposes in an amount equal to the excess of the fair market value of the shares of common stock purchased over the exercise price. The Company will generally be entitled to a tax deduction at such time and in the same amount that the grantee recognizes ordinary income.

### Vote Required

The revised performance criteria under the Incentive Plan will be approved and adopted by the shareholders if the votes cast in favor of approval exceed the votes cast against it. Unless contrary instructions are received, shares of the common stock represented by duly executed proxies will be voted in favor of the approval of revised performance criteria under the Amended and Restated Stock Option and Incentive Plan.

### Recommendation of the Board of Directors

**The Board recommends that the shareholders vote FOR approval of revised performance criteria under the Amended and Restated Stock Option and Incentive Plan.**

## PROPOSAL NO. 4 — ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

### Introduction

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 stockholder value. The Compensation Committee believes that the most effective compensation program is one that provides competitive base pay, rewards the achievement of established annual and long-term goals and objectives, and provides incentives for retention. The Compensation Committee seeks a compensation program that is internally consistent and believes that pay differences among jobs should be commensurate with differences in the levels of responsibility between the Chief Executive Officer and the other Named Executive Officers.

We urge you to read the Compensation Discussion and Analysis section of this proxy statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2010 compensation of our Named Executive Officers.

The U.S. Congress has enacted requirements commonly referred to as the "Say on Pay" rules. As required by those rules, we are asking you to vote on the adoption of the following resolution:

> **BE IT RESOLVED** by the stockholders of Forward Air, that the stockholders approve the compensation of the Company's Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K in the Company's proxy statement for the 2011 Annual Meeting of Stockholders.

As an advisory vote, this Proposal is non-binding. Although the vote is non-binding, the Board of

Directors and the Compensation Committee value the opinions of our stockholders, and will consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

**Vote Required**

The affirmative vote of a majority of the shares of common stock present or represented by proxy and voting on this Proposal No. 4 at the Annual Meeting is required for approval of this Proposal. Unless contrary instructions are received, shares of common stock represented by duly executed proxies will be voted for the adoption of the resolution approving the compensation of Named Executive Officers. If you own shares through a bank, broker, or other holder of record, you must instruct your bank, broker, or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this Proposal.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote FOR approval of executive compensation.**

## PROPOSAL NO. 5 — ADVISORY VOTE SELECTING THE FREQUENCY OF HOLDING AN ADVISORY VOTE ON EXECUTIVE COMPENSATION

As part of the "Say on Pay" rules adopted by Congress, Forward Air stockholders may indicate, by a non-binding advisory vote, the frequency at which they will have an advisory vote on the compensation paid to Forward Air's Named Executive Officers. In other words, how often a proposal similar to this year's Proposal No. 4 will be included in the matters to be voted on at each annual meeting. The choices available under the Say on Pay rules are every year, every other year, or every third year.

The Company believes that stockholders should have the opportunity to vote on the compensation of the Named Executive Officers every three years consistent with the Company's long-term approach to executive compensation. While the Company regularly reviews compensation, with an in-depth review on an annual basis, the Company's programs and policies are designed to enhance long-term growth and performance, and incentivize our employees on a long-term basis. As discussed in the Compensation Discussion and Analysis section of this proxy statement, a majority of the total compensation for executives is in the form of awards, which consist of stock options and cash incentives tied to specific performance goals. The Company believes that a triennial vote will foster a more long-term view of compensation. It would also give the Company sufficient time to engage with stockholders to better understand their views about the Company's compensation programs and respond in a more effective manner.

Stockholders can already provide input to the Board on an annual or more frequent basis using other mechanisms such as through stockholder proposals and by communicating directly with the Board or individual directors by sending letters or by speaking with them at the annual meeting of stockholders. While an annual vote on executive compensation will indicate whether stockholders have concerns about the Company's compensation programs and policies, it will not provide specific information about stockholder views. The Company believes other available tools will provide more meaningful mechanisms for stockholders to state their views about the Company's compensation programs and policies.

Please mark your proxy card to indicate your preference on this Proposal or your abstention if you wish to abstain. A plurality of the votes cast on this Proposal will determine the frequency selected by the stockholders. The Board of Directors recommends that you select three years as the desired frequency for a stockholder vote on executive compensation. If you fail to indicate your preference or abstention, your shares will be treated as though you chose a frequency of three years on this proposal.

If you own shares through a bank, broker, or other holder of record, you must instruct your bank, broker, or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this Proposal.

The frequency selected by the stockholders for conducting Say on Pay voting at the Annual Meetings of the stockholders of the Company is not a binding determination. However, the frequency selected will be given due consideration by the Company in its discretion.

**Recommendation of the Board of Directors**

**The Board of Directors recommends a vote for the holding of advisory votes on executive compensation ("Say on Pay") every THREE YEARS.**

**Other Matters**

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

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the disclosure requirements of Item 405 of Regulation S-K require the directors and executive officers of the Company, and any persons holding more than 10% of any class of equity securities of the Company, to report their ownership of such equity securities and any subsequent changes in that ownership to the SEC, Nasdaq and the Company. Based solely on a review of the reports that have been filed by or on behalf of such persons in this regard and written representations from our directors and named executive officers, we believe that all ownership reports were timely filed during 2010.

**Deadline for Submission to Shareholders of Proposals to be Presented at the 2012 Annual Meeting of Shareholders**

Any proposal intended to be presented for action at the 2012 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, 2011 in order for such proposal to be considered for inclusion in the Company's proxy statement and form of proxy relating to its 2012 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 2012 Annual Meeting of Shareholders), a shareholder's notice must be received by the Secretary of the Company not later than February 9, 2012 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 9, 2012, proxies solicited by the Board of Directors 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.

**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 2011 Annual Meeting of Shareholders, Proxy Statement and 2010 Annual Report may have been sent to multiple shareholders in your household. We will promptly deliver a separate copy of each document to you if you write the Company's Secretary at Forward Air Corporation, 430 Airport Road, Greeneville, Tennessee 37745, or call (423) 636-7000. If you want to receive separate copies of the Notice of Annual Meeting of Shareholders, Proxy Statement and Annual Report in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or, if the shares are not held in "street name," you may contact the Company at the above address and phone number.

**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, 2010 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 upon written request. Requests should be made in writing to Matthew J. Jewell, Secretary of the Company, at Forward Air Corporation, 430 Airport Road, Greeneville, Tennessee 37745. The Company's filings with the SEC are also available, without charge, on our website (www.forwardair.com) as soon as reasonably practical after filing.**

By Order of the Board of Directors,

Matthew J. Jewell
*Executive Vice President, Chief Legal Officer and Secretary*

Greeneville, Tennessee
April 1, 2011

**AMENDMENT NO. 1 TO THE**
**FORWARD AIR CORPORATION**
**AMENDED AND RESTATED STOCK OPTION AND INCENTIVE PLAN**
**(as further amended and restated December 17, 2008)**

WHEREAS, Forward Air Corporation, a corporation organized under the laws of the State of Tennessee (the "Company"), maintains the Forward Air Corporation Amended and Restated Stock Option and Incentive Plan, as further amended and restated December 17, 2008 (the "Plan");

WHEREAS, section 17 of the Plan authorizes the Company's Board of Directors or its Compensation Committee to amend the Plan without the consent of award holders (so long as the amendment has no adverse effect on any award previously granted), and without shareholder approval to the fullest extent permitted by law and the applicable listing rules; and

WHEREAS, it is desirable and in the best interest of the Company to amend the Plan, subject to shareholder approval, to revise and expand the list of performance criteria upon which certain awards may be conditioned when qualifying such awards as "performance-based compensation" under section 162(m) of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, Section 2(h) of the Plan is hereby amended in its entirety to read as follows, subject to the approval of the shareholders of the Company, to be effective as of the date such shareholder approval is obtained:

(h) "Performance Goals" means performance goals based on one or more of the following criteria:

(i) *Earnings or Profitability Metrics*: including, but not limited to, earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes ("EBIT"); earnings/loss before interest, taxes, depreciation and amortization ("EBITDA"); profit margins; expense levels or ratios; in each case adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments, early extinguishment of debt or stock-based compensation expense;

(ii) *Return Metrics*: including, but not limited to, return on investment, assets, equity or capital (total or invested);

(iii) *Cash Flow Metrics*: including, but not limited to, operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;

(iv) *Liquidity Metrics*: including, but not limited to, capital raising; debt reduction; extension of maturity dates of outstanding debt;

debt leverage (debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios) or access to capital; debt ratings; total or net debt; other similar measures approved by the Compensation Committee;

(v) *Stock Price and Equity Metrics*: including, but not limited to, return on stockholders' equity; total stockholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes); price-to-earnings ratio; and

(vi) *Strategic and Operating Metrics*: including, but not limited to, geographic footprint; revenue (gross, operating or net); Forward Air Complete pick-up and delivery revenue; revenue per pound or carton; fuel surcharge revenue; airport-to-airport revenue; other pick-up and delivery revenue; logistics revenue; other revenue; revenue growth; network tonnage density; total tonnage or cartons shipped; pounds or carton per shipment; labor or other operating costs per pound or carton; miles driven; percentage of miles driven by Company-employed drivers, owner-operators and/or third party transportation providers; new business or customer wins; market share; market penetration; growth in assets; key hires; owner-operator recruitment; management of employment practices and employee benefits; purchased transportation; operating leases; effective income tax rates; business expansion; acquisitions, divestitures, collaborations, licensing or joint ventures; financing; resolution of significant litigation; and legal compliance or risk reduction.

Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company or any Subsidiary, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies, or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Each of the foregoing Performance Goals shall be determined, to the extent applicable, in accordance with generally accepted accounting principles and shall be subject to certification by the Committee; provided, that the Committee shall have the authority to make equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or any Subsidiary or the financial statements of the Company or any Subsidiary, in response to changes in applicable laws or regulations, or to account for items of gain, loss, or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of business or related to a change in accounting principles provided that the Committee's decision as to whether such adjustments will be made with respect to any Covered Employee, within the meaning of Section 162(m) of the Code, is determined when the Performance Goals and targets are established for the applicable performance period.

IN WITNESS WHEREOF, the Company has caused this Amendment No. 1 to be executed by its duly authorized officer this ___ day of _______________, 2011.

FORWARD AIR CORPORATION

By: ___________________________

Its: ___________________________

**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, 2010**
**Commission File No. 000-22490**

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

| | |
|---|---|
| **Tennessee** | **62-1120025** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **430 Airport Road** | |
| **Greeneville, Tennessee** | **37745** |
| (Address of principal executive offices) | (Zip Code) |

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

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

| | |
|---|---|
| **Common Stock, $0.01 par value** | **The NASDAQ Stock Market LLC** |
| (Title of class) | (Name of exchange on which registered) |

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 Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting Company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2010 was approximately $782,940,733 based upon the $27.25 closing price of the stock as reported on The NASDAQ Stock Market LLC on that date. For purposes of this computation, all directors and executive officers of the registrant are assumed to be affiliates. This assumption is not a conclusive determination for purposes other than this calculation.

The number of shares outstanding of the registrant's common stock, $0.01 par value per share as of February 21, 2011 was 29,140,095.
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**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement for the 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

**Table of Contents**

**Forward Air Corporation**

## Introductory Note

*This Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (this "Form 10-K") contains "forward-looking statements," as defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are statements other than historical information or statements of current condition and relate to future events or our future financial performance. Some forward-looking statements may be identified by use of such terms as "believes," "anticipates," "intends," "plans," "estimates," "projects" or "expects." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The following is a list of factors, among others, that could cause actual results to differ materially from those contemplated by the forward-looking statements: economic factors such as recessions, inflation, higher interest rates and downturns in customer business cycles, our inability to maintain our historical growth rate because of a decreased volume of freight or decreased average revenue per pound of freight moving through our network, increasing competition and pricing pressure, surplus inventories, loss of a major customer, the creditworthiness of our customers and their ability to pay for services rendered, our ability to secure terminal facilities in desirable locations at reasonable rates, the inability of our information systems to handle an increased volume of freight moving through our network, changes in fuel prices, claims for property damage, personal injuries or workers' compensation, employment matters including rising health care costs, enforcement of and changes in governmental regulations, environmental and tax matters, the handling of hazardous materials, the availability and compensation of qualified independent owner-operators and freight handlers needed to serve our transportation needs and our inability to successfully integrate acquisitions. As a result of the foregoing, no assurance can be given as to future financial condition, cash flows or results of operations. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

# Part I

## Item 1. Business

We were formed as a corporation under the laws of the State of Tennessee on October 23, 1981. Our operations can be broadly classified into two principal segments: Forward Air, Inc. ("Forward Air") and Forward Air Solutions, Inc. ("FASI").

Through our Forward Air segment, we are a leading provider of time-definite surface transportation and related logistics services to the North American deferred air freight market. We offer our customers local pick-up and delivery (Forward Air Complete™) and scheduled surface transportation of cargo as a cost-effective, reliable alternative to air transportation. We transport cargo that must be delivered at a specific time but is less time-sensitive than traditional air freight. This type of cargo is frequently referred to in the transportation industry as deferred air freight. We operate our Forward Air segment through a network of terminals located on or near airports in 84 cities in the United States and Canada, including a central sorting facility in Columbus, Ohio and 12 regional hubs serving key markets. We also offer our customers an array of logistics and other services including: expedited full truckload ("TLX"); dedicated fleets; warehousing; customs brokerage; and shipment consolidation, deconsolidation and handling.

Through our Forward Air segment, we market our airport-to-airport services primarily to air freight forwarders, integrated air cargo carriers, and passenger and cargo airlines. To serve this market, we offer customers a high level of service with a focus on on-time, damage-free deliveries. We serve our customers by locating terminals on or near airports and maintaining regularly scheduled transportation service between major cities. We either receive shipments at our terminals or pick up shipments directly from our customers and transport them by truck (i) directly to the destination terminal; (ii) to our Columbus, Ohio central sorting facility; or (iii) to one of our 12 regional hubs, where they are unloaded, sorted and reloaded. After reloading the shipments, we deliver them to the terminals nearest their destinations and then, if requested by the customer, on to a final designated site. We ship freight directly between terminals when justified by the tonnage volume. During 2010, approximately 24.6% of the freight we handled was for overnight delivery, approximately 60.1% was for delivery within two to three days and the balance was for delivery in four or more days. We generally do not market our airport-to-airport services directly to shippers (where such services might compete with our freight forwarder customers). Also, because we do not place significant size or weight restrictions on airport-to-airport shipments, we generally do not compete directly with integrated air cargo carriers such as United Parcel Service and Federal Express in the overnight delivery of small parcels. In 2010, Forward Air's five largest customers accounted for approximately 21.6% of Forward Air's operating revenue and no single customer accounted for more than 10.0% of Forward Air's operating revenue.

We continue to develop and implement complimentary services to the airport-to-airport network. Our complimentary services including TLX full truckload; dedicated fleets; local pick-up and delivery; warehousing; customs brokerage; and shipment consolidation, deconsolidation and handling are critical to helping meet the changing needs of our customers and for efficiently using the people and resources of our airport-to-airport network.

Through our FASI segment, which we formed in July 2007 in conjunction with our acquisition of certain assets and liabilities of USA Carriers, Inc. ("USAC"), we provide pool distribution services throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency, last mile handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. Our primary customers for pool distribution are regional and nationwide distributors and specialty retailers, such as mall, strip mall and outlet-based retail chains. We service these customers through a network of terminals and service centers located in 19 cities. FASI's four largest customers accounted for approximately 70.4% of FASI's operating revenue, but revenues from these four customers did not exceed 10.0% of our consolidated revenue. No other customers accounted for more than 10.0% of FASI's operating revenue.

**Our Industry**

As businesses minimize inventory levels, close regional and local distribution centers, perform manufacturing and assembly operations in multiple locations and distribute their products through multiple channels, they have an increased need for expedited or time-definite delivery services. Expedited or time-definite shipments are those shipments for which the customer requires delivery the next day or within two to three days, usually by a specified time or within a specified time window.

Shippers with expedited or time-definite delivery requirements have several principal alternatives to transport freight: freight forwarders; integrated air cargo carriers; less-than-truckload carriers; full truckload carriers, and passenger and cargo airlines.

Although expedited or time-definite freight is often transported by aircraft, freight forwarders and shippers often elect to arrange for its transportation by truck, especially for shipments requiring deferred delivery within two to three days. Generally, the cost of shipping freight, especially heavy freight, by truck is substantially less than shipping by aircraft. We believe there are several trends that are increasing demand for lower-cost truck transportation of expedited air freight. These trends include:

- Freight forwarders obtain requests for shipments from customers, make arrangements for transportation of the cargo by a third-party carrier and usually arrange for both delivery from the shipper to the carrier and from the carrier to the recipient.

- Integrated air cargo carriers provide pick-up and delivery services primarily using their own fleet of trucks and provide transportation services generally using their own fleet of aircraft.

- Less-than-truckload carriers also provide pick-up and delivery services through their own fleet of trucks. These carriers operate terminals where a single shipment is unloaded, sorted and reloaded multiple times. This additional handling increases transit time, handling costs and the likelihood of cargo damage or theft.

- Full truckload carriers provide transportation services generally using their own fleet of trucks. A freight forwarder or shipper must have a shipment of sufficient size to justify the cost of a full truckload. These cost benefit concerns can inhibit the flexibility often required by freight forwarders or shippers.

- Passenger or cargo airlines provide airport-to-airport service, but have limited cargo space and generally accept only shipments weighing less than 150 pounds.

**Competitive Advantages**

We believe that the following competitive advantages are critical to our success in both our Forward Air and FASI segments:

- *Focus on Specific Freight Markets.* Our Forward Air segment focuses on providing time-definite surface transportation and related logistics services to the deferred air cargo industry. Our FASI segment focuses on providing high-quality pool distribution services to retailers and nationwide distributors of retail products. This focused approach enables us to provide a higher level of service in a more cost-effective manner than our competitors.

- *Expansive Network of Terminals and Sorting Facilities.* We have developed a network of Forward Air terminals and sorting facilities throughout the United States and Canada located on or near airports. We believe it would be difficult for a competitor to duplicate our Forward Air network without the expertise and strategic facility locations we have acquired without expending significant capital and management resources. Our expansive Forward Air network enables us to provide regularly scheduled service between most markets with low levels of freight damage or loss, all at rates which in general are significantly below air freight rates.

  Primarily through acquisitions, we have established a FASI network of terminals and service centers throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. The pool distribution market is very fragmented and our competition primarily consists of regional and local providers. We believe that through our network of FASI terminals and service locations we can offer our pool distribution customers comprehensive, high-quality service across the majority of the continental United States.

- *Concentrated Marketing Strategy.* Forward Air provides our deferred air freight services mainly to air freight forwarders, integrated air cargo carriers, and passenger and cargo airlines rather than directly serving shippers. Forward Air does not place significant size or weight restrictions on shipments and, therefore, it does not compete with delivery services such as United Parcel Service and Federal Express in the overnight small parcel market. We believe that Forward Air customers prefer to purchase their transportation services from us because, among other reasons, we generally do not market Forward Air's services to their shipper customers and, therefore, do not compete directly with them for customers.

  FASI provides pool distribution services primarily to regional and nationwide distributors and specialty retailers, such as mall, strip mall and outlet-based retail chains.

- *Superior Service Offerings.* Forward Air's published deferred air freight schedule for transit times with specific cut-off and arrival times generally provides Forward Air customers with the predictability they need. In addition, our network of Forward Air terminals allows us to offer our customers later cut-off times, a higher percentage of direct shipments (which reduces damage and shortens transit times) and earlier delivery times than most of our competitors.

  Our network of FASI terminals allows us the opportunity to provide precision deliveries to a wider range of locations than most pool distribution providers with increased on-time performance.

- *Flexible Business Model.* Rather than owning and operating our own fleet of trucks, Forward Air purchases most of its transportation requirements from owner-operators or truckload carriers. This allows Forward Air to respond quickly to changing demands and opportunities in our industry and to generate higher returns on assets because of the lower capital requirements.

  Primarily as a result of the structure of our acquisition targets and the nature of pool distribution services, FASI utilizes a higher percentage of Company-employed drivers and Company-owned equipment than Forward Air. However, as the conditions of individual markets and requirements of our customers allow, we are increasing the usage of owner-operators in our pool distribution business.

- *Comprehensive Logistic and Other Service Offerings.* Forward Air offers an array of logistic and other services including: TLX, pick-up and delivery (Forward Air Complete™), dedicated fleet, warehousing, customs brokerage and shipment consolidation and handling. These services are an essential part of many of our Forward Air customers' transportation needs and are not offered by many of our competitors. Forward Air is able to provide these services utilizing existing infrastructure and thereby earning additional revenue without incurring significant additional fixed costs.

- *Leading Technology Platform.* We are committed to using information technology to improve our Forward Air and FASI operations. Through improved information technology, we believe we can increase the volume of freight we handle in our networks, improve visibility of shipment information and reduce our operating costs. Our Forward Air technology allows us to provide our customers with electronic bookings and real-time tracking and tracing of shipments while in our network, complete shipment history, proof of delivery, estimated charges and electronic bill presentment. We continue to enhance our Forward Air systems to permit us and our customers to access vital information through both the Internet and electronic data interchange. We have continued to invest in information technology to the benefit of our customers and our business processes.

  We are committed to developing the same superior level of information technology for FASI. One of the challenges FASI faces is the integration of many different software applications utilized by not only the companies FASI acquired but our individual customers as well. In 2010, we substantially completed a comprehensive system that will provide our pool distribution customers with the same level of visibility, interactivity and flexibility as experienced by our Forward Air customers. We continue to invest in enhancements to the FASI systems.

- *Strong Balance Sheet and Availability of Funding.* Our asset-light business model and strong market position in the deferred air freight market provides the foundation for operations that produce excellent cash flow from operations even in challenging conditions. Our strong balance sheet can also be a competitive advantage. Our competitors, particularly in the pool distribution market, are mainly regional and local operations and may struggle to maintain operations in the current economic environment. The threat of financial instability may encourage new and existing customers to use a more financially secure transportation provider, such as FASI.

**Growth Strategy**

Our growth strategy is to take advantage of our competitive strengths in order to increase our profits and shareholder returns. Our goal is to use our established networks as the base from which to expand and launch new services that will allow us to grow in any economic environment. Principal components of our efforts include:

- *Increase Freight Volume from Existing Customers.* Many of our customers currently use Forward Air and FASI for only a portion of their overall transportation needs. We believe we can increase freight volumes from existing customers by offering more comprehensive services that address all of the customer's transportation needs, such as Forward Air Complete, our direct to door pick-up and delivery service. By offering additional services that can be integrated with our existing business, we believe we will attract additional business from existing customers.

- *Develop New Customers.* We continue to actively market our Forward Air and FASI services to potential new customers. In our Forward Air segment, we believe air freight forwarders will continue to move away from integrated air cargo carriers because those carriers charge higher rates, and away from less-than-truckload carriers because those carriers provide less reliable service and compete for the same customers as do the air freight forwarders. In addition, we believe Forward Air's comprehensive North American network and related logistics services are attractive to domestic and international airlines.

Forward Air Complete™ can also help attract business from new customers who require pick-up and delivery for their shipments. In our pool distribution business, we are emphasizing the development of relationships with customers who have peak volume seasons outside of the traditional fourth quarter spike in order to stabilize FASI's earnings throughout the calendar year. We are currently targeting customers from industries such as hospitality, healthcare and publishing. Further, by expanding our network of FASI terminals, we believe we can attract new customers and new business from existing customers by offering our services across multiple regions of the continental United States. During the upcoming years, we plan on expanding FASI's terminal footprint by opening FASI operations in select Forward Air terminals. We believe the utilization of existing Forward Air terminals will allow us to increase our FASI revenues with minimal addition of fixed costs.

- *Improve Efficiency of Our Transportation Network.* We constantly seek to improve the efficiency of our airport-to-airport and FASI networks. Regional hubs and direct shuttles improve Forward Air's efficiency by reducing the number of miles freight must be transported and the number of times freight must be handled and sorted. As the volume of freight between key markets increases, we intend to continue to add direct shuttles. Since 2006, we have constructed or expanded terminals in key gateway cities. With these new and expanded facilities, we believe we will have the necessary space to grow our business in key gateway cities and to offer additional services. We are working to improve our FASI operations by increasing the efficiencies of our daily and weekly transportation routes and the cartons handled per hour on our docks. We are constantly looking to improve our route efficiencies by consolidating loads and utilizing owner-operators when available. We are investing in conveyor systems for certain FASI terminals to increase the productivity of our cargo handlers. Finally, we are actively looking to reduce or eliminate the number of duplicate facilities in cities which have both Forward Air and FASI terminals. We have combined Forward Air and FASI facilities in Dallas/Fort Worth, Texas, Des Moines, Iowa, Denver, Colorado, Kansas City, Missouri, Nashville, TN, Richmond, Virginia and Tulsa, Oklahoma, and will continue this process in upcoming years as the expiration of leases and business volumes allow. In addition, FASI is providing agent station services to Forward Air in Albuquerque, New Mexico and Montgomery, Alabama.

- *Expand Logistics and Other Services.* We continue to expand our logistics and other services to increase revenue and improve utilization of our Forward Air terminal facilities and labor force. Because of the timing of the arrival and departure of cargo, our Forward Air facilities are under-utilized during certain portions of the day, allowing us to add logistics services without significantly increasing our costs. Therefore, we have added a number of Forward Air logistic services in the past few years, such as TLX, dedicated fleet, warehousing, customs brokerage and shipment consolidation and handling services. These services directly benefit our existing customers and increase our ability to attract new customers, particularly those air freight forwarders that cannot justify providing the services directly. These services are not offered by many transportation providers with whom we compete and are attractive to customers who prefer to use one provider for all of their transportation needs.

- *Expand Pool Distribution Services and Integrate with our Forward Air Services.* In addition to increasing our revenue from traditional pool distribution services, we are working to expand FASI's customer base beyond retail and to integrate our Forward Air and FASI service offerings. Through this process, we are able to offer customers linehaul or truckload services, with handling and sorting at the origin and destination terminal, and final distribution to one or many locations utilizing FASI pool distribution and Forward Air Complete™.

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

- *Pursue Strategic Acquisitions.* We continue to evaluate acquisitions that can increase our penetration of a geographic area, add new customers, add new business verticals, increase freight volume and add new service offerings. In addition, we expect to explore acquisitions that may enable us to offer additional services. Since our inception, we have acquired certain assets and liabilities of 12 businesses that met one or more of these criteria. During 2008, we acquired certain assets and liabilities of two companies that met these criteria.

    - In March 2008, we acquired certain assets and liabilities of Pinch Holdings, Inc. and its related company AFTCO Enterprises, Inc. and certain of their respective wholly-owned subsidiaries ("Pinch"). Pinch was a privately-held provider of pool distribution, airport-to-airport, truckload, custom, and cartage services primarily to the Southwestern continental United States. This acquisition gave FASI a presence primarily in Texas and strengthened the position of our Forward Air network in the Southwest United States.

    - In September 2008, we acquired certain assets and liabilities of Service Express, Inc. ("Service Express"). The acquisition of Service Express, a privately-held provider of pool distribution services, helped us expand FASI's geographic footprint in the Mid-Atlantic and Southeastern continental United States.

**Operations**

We operate in two reportable segments, based on differences in the services provided: Forward Air and FASI. Through Forward Air, we are a leading provider of time-definite transportation and related logistics services to the North American deferred air freight market. Forward Air's activities can be broadly classified into three categories of services: airport-to-airport, logistics and other.

Through our FASI segment, we provide pool distribution services throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions.

**Forward Air**

**Airport-to-airport**

We receive freight from air freight forwarders, integrated air cargo carriers and passenger and cargo airlines at our terminals, which are located on or near airports in the United States and Canada. We also pick up freight from customers at designated locations via our Forward Air Complete™ service. We consolidate and transport these shipments by truck through our network to our terminals nearest the ultimate destinations of the shipments. We operate regularly scheduled service to and from each of our terminals through our Columbus, Ohio central sorting facility or through one of our 12 regional hubs. We also operate regularly scheduled shuttle service directly between terminals where the volume of freight warrants bypassing the Columbus, Ohio central sorting facility or a regional hub. When a shipment arrives at our terminal nearest its destination, the customer arranges for the shipment to be picked up and delivered to its final destination, or we, in the alternative, through our Forward Air Complete™ service, deliver the freight for the customer to its final destination.

***Terminals***

Our airport-to-airport network consists of terminals located in the following 84 cities:

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

* Denotes an independent agent location.
** Denotes a location with combined Forward Air and FASI operations.
*** Denotes an agent location operated by FASI.

Independent agents and FASI operate 17 and 2 of our Forward Air locations, respectively. These locations typically handle lower volumes of freight relative to our Company-operated facilities.

***Direct Service and Regional Hubs***

We operate direct terminal-to-terminal services and regional overnight service between terminals where justified by freight volumes. We currently provide regional overnight service to many of the markets within our network. Direct service allows us to provide quicker scheduled service at a lower cost because it allows us to minimize out-of-route miles and eliminate the added time and cost of handling the freight at our central or regional hub sorting facilities. Direct shipments also reduce the likelihood of damage because of reduced handling and sorting of the freight. As we continue to increase volume between various terminals, we intend to add other direct services. Where warranted by sufficient volume in a region, we utilize larger terminals as regional sorting hubs, which allow us to bypass our Columbus, Ohio central sorting facility. These regional hubs improve our operating efficiency and enhance customer service. We operate regional hubs in Atlanta, Charlotte, Chicago, Dallas/Ft. Worth, Denver, Kansas City, Los Angeles, New Orleans, Newark, Newburgh, Orlando, and Sacramento.

***Shipments***

The average weekly volume of freight moving through our network was approximately 32.6 million pounds per week in 2010. During 2010, our average shipment weighed approximately 717 pounds and shipment sizes ranged from small boxes weighing only a few pounds to large shipments of several thousand pounds. Although we impose no significant size or weight restrictions, we focus our marketing and price structure on shipments of 200 pounds or more. As a result, we typically do not directly compete with integrated air cargo carriers in the overnight delivery of small parcels. The table below summarizes the average weekly volume of freight moving through our network for each year since 1996.

| Year | Average Weekly Volume in Pounds (In millions) |
|---|---|
| 1996 | 10.5 |
| 1997 | 12.4 |
| 1998 | 15.4 |
| 1999 | 19.4 |
| 2000 | 24.0 |
| 2001 | 24.3 |
| 2002 | 24.5 |
| 2003 | 25.3 |
| 2004 | 28.7 |
| 2005 | 31.2 |
| 2006 | 32.2 |
| 2007 | 32.8 |
| 2008 | 34.2 |
| 2009 | 28.5 |
| 2010 | 32.6 |

**Logistics and Other Services**

Our customers increasingly demand more than the movement of freight from their transportation providers. To meet these demands, we continually seek ways to customize our logistics services and add new services. Logistics and other services increase our profit margins by increasing our revenue without corresponding increases in our fixed costs, as airport-to-airport assets and resources are primarily used to provide the logistics and other services.

Our logistics and other services allow customers to access the following services from a single source:

- expedited full truckload, or TLX;
- dedicated fleets;
- customs brokerage, such as assistance with U.S. Customs and Border Protection (“U.S. Customs”) procedures for both import and export shipments;
- warehousing, dock and office space;
- drayage and intermodal;
- 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.

These services are critical to many of our air freight forwarder customers that do not provide logistics services themselves or that prefer to use one provider for all of their surface transportation needs.

Revenue and purchased transportation for our TLX and dedicated fleet services are largely determined by the number of miles driven. The table below summarizes the average miles driven per week to support our logistics services since 2003:

| Year | Average Weekly Miles (In thousands) |
|---|---|
| 2003 | 211 |
| 2004 | 259 |
| 2005 | 248 |
| 2006 | 331 |
| 2007 | 529 |
| 2008 | 676 |
| 2009 | 672 |
| 2010 | 788 |

**Forward Air Solutions (FASI)**

**Pool Distribution**

Through our FASI segment we provide pool distribution services through a network of terminals and service locations in 19 cities throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. Our primary customers for this product are regional and nationwide distributors and retailers, such as mall, strip mall and outlet-based retail chains. However, in order to reduce the seasonal volatility of FASI's revenue, we are focused on diversifying the FASI customer base to include customers from industries such as hospitality, healthcare and publishing.

Our pool distribution network consists of terminals and service locations in the following 19 cities:

| City | |
|---|---|
| Albuquerque, NM*** | Kansas City, MO** |
| Atlanta, GA | Lakeland, FL |
| Baltimore, MD | Las Vegas, NV |
| Charlotte, NC | Miami, FL |
| Dallas/Ft. Worth, TX** | Montgomery, AL*** |
| Denver, CO** | Nashville, TN** |
| Des Moines, IA** | Richmond, VA** |
| Greensboro, NC | San Antonio, TX |
| Houston, TX | Tulsa, OK** |
| Jacksonville, FL | |

** Denotes a location with combined Forward Air and FASI operations.
*** Denotes a location that provides agent station services to Forward Air.

**Customers and Marketing**

Our Forward Air wholesale customer base is primarily comprised of air freight forwarders, integrated air cargo carriers and passenger and cargo airlines. Our air freight forwarder customers vary in size from small, independent, single facility companies to large, international logistics companies such as SEKO Worldwide, AIT Worldwide Logistics, Expeditors International of Washington, Associated Global, UPS Supply Chain Solutions and Pilot Air Freight. Because we deliver dependable service, integrated air cargo carriers such as UPS Cargo and DHL Worldwide Express use our network to provide overflow capacity and other services, including shipment of bigger packages and pallet-loaded cargo. Our passenger and cargo airline customers include British Airways, United Airlines and Delta.

Our FASI pool distribution customers are primarily comprised of national and regional retailers and distributors, such as The Limited, The Marmaxx Group, The GAP, and Aeropostale. We also conduct business with other pool distribution providers.

We market all 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 account level and supports local sales initiatives. We also participate in air cargo and retail trade shows and advertise our services through direct mail programs and through the Internet via www.forwardair.com. The information contained on our website is not part of this filing and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

**Technology and Information Systems**

Our technology allows us to provide Forward Air customers with real-time tracking and tracing of shipments throughout the transportation process, complete shipment history, proof of delivery, estimated charges and electronic bill presentment. In addition, our Forward Air customers are able to electronically transmit bookings to us from their own networks and schedule transportation and obtain tracking and tracing information. We continue to develop and enhance our systems to permit our customers to obtain this information both through the Internet and through electronic data interchange.

We continue to enhance our Forward Air TAP application and website service offerings in our continuing effort to automate and improve our operations. Our Forward Air Complete™ website coordinates activities between our customers, operations personnel and external service providers. We believe that the TAP system, Forward Air Complete™ website and other technical enhancements will assist us in capitalizing on new business opportunities and could encourage customers to increase the volume of freight they send through our network.

During 2010, we continue to make significant investments in technology for FASI. We continued our development of a FASI driven enhancement to our existing Forward Air applications. This system enhancement, called FASTRACS, is designed specifically to meet the retail distribution business demands, and makes use of the most modern wireless technologies available. FASTRACS was implemented in 2010 for a select group of customers and is being designed so as to be the primary technology platform for all future customers.

**Purchased Transportation**

We contract for most of our Forward Air transportation services on a per mile basis from owner-operators. FASI also utilizes owner-operators for certain of its transportation services, but relies more on Company-employed drivers. The owner-operators own, operate and maintain their own tractors and employ their own drivers. Our Forward Air freight handlers load and unload our trailers for hauling by owner-operators between our terminals.

We seek to establish long-term relationships with owner-operators to assure dependable service and availability. Historically, we have experienced significantly higher than industry average retention of owner-operators. We have 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, our per mile rates are generally above prevailing market rates. In addition, we typically offer our owner-operators and their drivers a consistent work schedule. Usually, schedules are between the same two cities, improving quality of work life for the owner-operators and their drivers and, in turn, increasing driver retention.

As a result of efforts to expand our logistics and other services, seasonal demands and volume surges in particular markets, we also purchase transportation from other surface transportation providers to handle overflow volume. Of the $201.4 million incurred for purchased transportation during 2010, we purchased 63.9% from owner-operators and 36.1% from other surface transportation providers.

**Competition**

The air freight and pool distribution segments of the transportation industry are highly competitive and very fragmented. Our Forward Air and FASI competitors primarily include national and regional truckload and less-than-truckload carriers. To a lesser extent, Forward Air also competes with integrated air cargo carriers and passenger and cargo airlines.

We believe competition is based primarily on service, on-time delivery, flexibility and reliability, as well as rates. We offer our Forward Air services at rates that generally are significantly below the charge to transport the same shipment to the same destination by air. We believe Forward Air has an advantage over less-than-truckload carriers because Forward Air delivers faster, more reliable service between many cities. We believe FASI has an advantage over its competitors due to its presence in several regions across the continental United States allowing us to provide consistent, high-quality service to our customers regardless of location.

**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 is more pronounced on our pool distribution business. The pool distribution business is seasonal and operating revenues and results tend to be higher in the third and fourth quarters than in the first and second quarters.

**Employees**

As of December 31, 2010, we had 1,627 full-time employees, 576 of whom were freight handlers. Also, as of that date, we had an additional 1,090 part-time employees, of whom the majority was 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 is essential to support our continued growth and to meet the service requirements of our customers.

**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. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of $0.5 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately $0.3 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately $0.4 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance.

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

**Regulation**

The DOT and various state and federal agencies have been granted broad powers over our business. These entities generally regulate such activities as authorization to engage in property brokerage and motor carrier operations, safety and financial reporting. We are licensed through our subsidiaries by the DOT as a motor carrier and as a property broker to arrange for the transportation of freight by truck. Our domestic customs brokerage operations are licensed by U.S. Customs. We are subject to similar regulation in Canada.

**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 ®, Forward Air ™, Forward Air Solutions ®, Forward Air TLX™, and Forward Air Complete ™. These marks are of significant value to our business.

**Website Access**

We file reports with the Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and other reports from time to time. We are an electronic filer and the SEC maintains an Internet site at www.sec.gov that contains these reports and other information filed electronically. We make available free of charge through our website our Code of Business Conduct and Ethics and our reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is www.forwardair.com. Please note that this website address is provided as an inactive textual reference only. The information provided on the website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

## Item 1A. Risk Factors

In addition to the other information in this Form 10-K and other documents we have filed with the SEC from time to time, the following factors should be carefully considered in evaluating our business. Such factors could affect results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us. Some or all of these factors may apply to our business.

***Severe economic downturns like the recession experienced in 2008 and 2009 can result in weaker demand for ground transportation services, which may have a significant negative impact on our results of operations.***

During 2008 and 2009, we experienced significantly weaker demand for our airport-to-airport and pool distribution services as a result of the severe downturn in the economy. We began to experience weakening demand late in 2008, and this weakness continued throughout most of 2009. During the time in question, we adjusted the size of our owner-operator fleet and reduced employee headcount to compensate for the drop in demand. If the economic downturn persisted or worsened, demand for our services may have continued to weaken. No assurance can be given that reductions in owner-operators and employees or other steps we may take during similar times in the future will be adequate to offset the effects of reduced demand.

***Our business is subject to general economic and business factors that are largely out of our control, any of which could have a material adverse effect on our results of operations.***

Our business is dependent upon a number of factors that may have a material adverse effect on the results of our operations, many of which are beyond our control. These factors include increases or rapid fluctuations in fuel prices, capacity in the trucking industry, insurance premiums, self-insured retention levels and difficulty in attracting and retaining qualified owner-operators and freight handlers. Our profitability would decline if we were unable to anticipate and react to increases in our operating costs, including purchased transportation and labor, or decreases in the amount of revenue per pound of freight shipped through our system. As a result of competitive factors, we may be unable to raise our prices to meet increases in our operating costs, which could result in a material adverse effect on our business, results of operations and financial condition.

Economic conditions may adversely affect our customers and the amount of freight available for transport. This may require us to lower our rates, and this may also result in lower volumes of freight flowing through our network. Customers encountering adverse economic conditions represent a greater potential for loss, and we may be required to increase our reserve for bad-debt losses.

Our results of operations may be affected by seasonal factors. Volumes of freight tend to be lower in the first quarter after the winter holiday season. In addition, it is not possible to predict the short or long-term effects of any geopolitical events on the economy or on customer confidence in the United States, or their impact, if any, on our future results of operations.

***In order to grow our business, we will need to increase the volume and revenue per pound of the freight shipped through our networks.***

Our growth depends in significant part on our ability to increase the amount and revenue per pound of freight shipped through our networks. The amount of freight shipped through our networks and our revenue per pound depend on numerous factors, many of which are beyond our control, such as economic conditions and our competitors' pricing. Therefore, we cannot guarantee that the amount of freight shipped or the revenue per pound we realize on that freight will increase or even remain at current levels. If we fail to increase the volume of the freight shipped through our networks or the revenue per pound of the freight shipped, we may be unable to maintain or increase our profitability.

***Our rates, overall revenue and expenses are subject to volatility.***

Our rates are subject to change based on competitive pricing and market factors. Our overall transportation rates consist of base transportation and fuel surcharge rates. Our base transportation rates exclude fuel surcharges and are set based on numerous factors such as length of haul, freight class and weight per shipment. The base rates are subject to change based on competitive pricing pressures and market factors. Most of our competitors impose fuel surcharges, but there is no industry standard for the calculation of fuel surcharge rates. Our fuel surcharge rates are set weekly based on the national average for fuel prices as published by the U.S. Department of Energy ("DOE") and our fuel surcharge table. Historically, we have not adjusted our method for determining fuel surcharge rates.

Our net fuel surcharge revenue is the result of our fuel surcharge rates and the tonnage transiting our networks. The fuel surcharge revenue is then netted with the fuel surcharge we pay to our owner-operators and third party transportation providers. Fluctuations in tonnage levels, related load factors, and fuel prices may subject us to volatility in our net fuel surcharge revenue. This potential volatility in net fuel surcharge revenue may adversely impact our overall revenue, base transportation revenue plus net fuel surcharge revenue, and results of operations.

***Because a portion of our network costs are fixed, we will be adversely affected by any decrease in the volume or revenue per pound of freight shipped through our networks.***

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 may have an adverse effect on our operating margin and our results of operations. Typically, Forward Air does not have contracts with our customers and we cannot guarantee that our current customers will continue to utilize our services or that they will continue at the same levels. FASI does have contracts with its customers but these contracts typically have terms allowing cancellation within 30 to 60 days. The actual shippers of the freight moved through our networks include various manufacturers, distributors and/or retailers of electronics, clothing, telecommunications equipment, machine parts, trade show exhibit materials and medical equipment. Adverse business conditions affecting these shippers or adverse general economic conditions are likely to cause a decline in the volume of freight shipped through our networks.

***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 operations and profitability.***

The segments of the freight transportation industry we participate in, are highly competitive, very fragmented and historically have few barriers to entry. Our principal competitors include national and regional truckload and less-than-truckload carriers. To a lesser extent, our Forward Air segment also competes 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 air freight forwarders who decide to establish their own networks to transport deferred air freight. We believe competition is based on service, primarily on-time delivery, flexibility and reliability, as well as 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. These competitors may cause a decrease in our volume of freight, require us to lower the prices we charge for our services and adversely affect both our growth prospects and profitability.

***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. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of \$0.5 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately \$0.3 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately \$0.4 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance. Any claims beyond the limits or scope of our insurance coverage may have a material adverse effect on us. Because we do not carry "stop loss" insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability. In addition, we may be unable to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses.

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

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

- identification of appropriate acquisition candidates;
- negotiation of acquisitions on favorable terms and valuations;
- integration of acquired businesses and personnel;
- implementation of proper business and accounting controls;
- ability to obtain financing, on favorable terms or at all;
- diversion of management attention;
- retention of employees and customers;
- unexpected liabilities;

- potential erosion of operating profits as new acquisitions may be unable to achieve profitability comparable with our core airport-to-airport business, and

- detrimental issues not discovered during due diligence.

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

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

We have $31.3 million of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2010. 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 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 an impairment, we would be required to record a non-cash impairment charge to our statement of income in the amount that the carrying value of these assets exceed the estimated fair value of the assets.

We also have recorded goodwill of $43.3 million on our consolidated balance sheet at December 31, 2010. Goodwill is assessed for impairment annually (or more frequently if circumstances indicate possible impairment) for each of our reportable segments. This assessment includes comparing the fair value of each reportable segment to the carrying value of the assets assigned to each reportable segment. If the carrying value of the reportable segment was to exceed our estimated fair value of the reportable segment, we would then be required to estimate the fair value of the individual assets and liabilities within the reportable segment 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 statement of income, which could have a material adverse effect on our earnings. During 2009, we determined there were indicators of potential impairment of the goodwill assigned to the FASI segment. This determination was based on the continuing economic recession, declines in current market valuations and FASI operating losses in excess of expectations. As a result, we performed an interim impairment test in accordance with our accounting policy discussed above as of March 31, 2009. Based on the results of the interim impairment test, we concluded that an impairment loss was probable and could be reasonably estimated. Consequently, we recorded a non-cash goodwill impairment charge of $7.0 million related to the FASI segment during 2009.

The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. Earnings estimated to be generated by our Forward Air segment are expected to continue supporting the carrying value of its goodwill. Our FASI segment is currently facing the challenges of building and expanding a business during difficult economic times. If these overall economic conditions continue for an extended period of time, future estimates of projected financial information may be reduced, and we may be required to record an additional impairment charge against the carrying value of FASI’s goodwill.

***We may have difficulty effectively managing our growth, which could adversely affect our results of operations.***

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 regularly enhance our operating and management information systems and to continue to attract, retain, train, motivate and manage key employees. If we are unable to manage our growth effectively, our business, results of operations and financial condition may be adversely affected.

***If we fail to maintain and enhance our information technology systems, we may lose orders and customers or incur costs beyond expectations.***

We must maintain and enhance our information technology systems to remain competitive and effectively handle higher volumes of freight through our network. We expect customers to continue to demand more sophisticated, fully integrated information systems from their transportation providers. If we are unable to maintain and enhance our information systems to handle our freight volumes and meet the demands of our customers, our business and results of operations will be adversely affected. If our information systems are unable to handle higher freight volumes and increased logistics services, our service levels and operating efficiency may decline. This may lead to a loss of customers and a decline in the volume of freight we receive from customers.

***Our information technology systems are subject to risks that we cannot control.***

Our information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures and electrical outages in the past. While we take measures to ensure our major systems have redundant capabilities, our systems are susceptible to outages from fire, floods, power loss, telecommunications failures, break-ins and similar events. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and hamper our internal operations, our ability to provide services to our customers and the ability of our customers to access our information technology systems. This may result in the loss of customers or a reduction in demand for our services.

***If we have difficulty attracting and retaining owner-operators or freight handlers, our results of operations could be adversely affected.***

We depend on owner-operators for most of our transportation needs. In 2010, owner-operators provided 63.9% of our purchased transportation. Competition for owner-operators is intense, and sometimes there are shortages of available owner-operators. In addition, we 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 owner-operators or freight handlers, we may be forced to increase wages and benefits, 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. If our labor costs increase, we may be unable to offset the increased labor costs by increasing rates without adversely affecting our business. As a result, our profitability may be reduced.

***A determination by regulators that our independent owner-operators are employees rather than independent contractors could expose us to various liabilities and additional costs.***

At times, the Internal Revenue Service, the Department of Labor and state authorities have asserted that owner-operators are "employees," rather than "independent contractors." One or more governmental authorities may challenge our position that the owner-operators we use are not our employees. A determination by regulators that our independent owner-operators are employees rather than independent contractors could expose us to various liabilities and additional costs including, but not limited to, employment-related expenses such as workers' compensation insurance coverage and reimbursement of work-related expenses.

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

The DOT and various state and federal agencies have been granted broad regulatory powers over our business, and we are licensed by the DOT and U.S. Customs. 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. Heightened security concerns may continue to result in increased regulations, including the implementation of various security measures, checkpoints or travel restrictions on trucks.

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

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

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

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

***We are dependent on our senior management team, and the loss of any such personnel could materially and adversely affect our business.***

Our future performance depends, in significant part, upon the continued service of our senior management team. 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. We must continue to develop and retain a core group of management personnel and address issues of succession planning if we are to realize our goal of growing our business. We cannot be certain that we will be able to do so.

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

None of our employees are 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, $0.01 par value per share, and also could limit the price that investors are willing to pay in the future for shares of our Common Stock.

**Item 1B. Unresolved Staff Comments**

None**.**

**Item 2. Properties**

**Properties and Equipment**

Management believes 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 lease our 37,500 square foot headquarters in Greeneville, Tennessee from the Greeneville-Greene County Airport Authority. The initial lease term ended in 2006 and has two ten-year and one five-year renewal options. During 2007, we renewed the lease through 2016.

We own our Columbus, Ohio central sorting facility. The expanded Columbus, Ohio facility is 125,000 square feet with 168 trailer doors. This premier facility can unload, sort and load upwards of 3.7 million pounds in five hours. In addition to the expansion, we process-engineered the freight sorting in the expanded building to improve handling efficiencies. The benefits include reductions in the distance each shipment moves in the building to speed up the transfer process, less handling of freight to further improve service integrity and flexibility to operate multiple sorts at the same time.

In June 2009, we completed the construction of a facility near Dallas/Fort Worth, Texas. The facility has over 216,000 square feet with 134 trailer doors and approximately 28,000 square feet of office space. We also own facilities near Chicago, Illinois and Atlanta, Georgia. The Atlanta, Georgia facility is over 142,000 square feet with 118 trailer doors and approximately 12,000 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.

We lease and maintain 72 additional terminals, including our pool distribution terminals, located in major cities throughout the United States and Canada. Lease terms for these terminals are typically for three to five years. The remaining 17 terminals are agent stations operated by independent agents who handle freight for us on a commission basis.

We own the majority of trailers we use to move freight through our networks. Substantially all of our trailers are 53' long, some of which have specialized roller bed equipment required to serve air cargo industry customers. At December 31, 2010, we had 2,321 owned trailers in our fleet with an average age of approximately 5.1 years. In addition, as a result of our last acquisitions, at December 31, 2010, we also had 54 leased trailers in our fleet.

Through acquisitions, we have also increased the size of our tractor and straight truck fleets. At December 31, 2010, we had 367 owned tractors and straight trucks in our fleet, with an average age of approximately 4.2 years. In addition, at December 31, 2010, we also had 89 leased tractors and straight trucks in our fleet.

**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. Submission of Matters to a Vote of Security Holders**

During the fourth quarter of the fiscal year ended December 31, 2010, no matters were submitted to a vote of security holders through the solicitation of proxies or otherwise.

**Executive Officers of the Registrant**

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K of the Securities Act and General Instruction G(3) to Form 10-K, the following information is included in Part I of this report. The ages listed below are as of December 31, 2010.

The following are our executive officers:

| Name | Age | Position |
|---|---|---|
| Bruce A. Campbell | 59 | President and Chief Executive Officer |
| Rodney L. Bell | 48 | Chief Financial Officer, Senior Vice President and Treasurer |
| Craig A. Drum | 55 | Senior Vice President, Sales |
| Matthew J. Jewell | 44 | Executive Vice President, Chief Legal Officer and Secretary |
| Chris C. Ruble | 48 | Executive Vice President, Operations |

There are no family relationships between any of our executive officers. All officers hold office at the pleasure of the Board of Directors.

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

Rodney L. Bell began serving as Chief Financial Officer, Senior Vice President and Treasurer in June 2006. Mr. Bell, who is a Certified Public Accountant (inactive), was appointed Chief Accounting Officer in February 2006 and continued to serve as Vice President and Controller, positions held since October 2000 and February 1995, respectively. Mr. Bell joined the Company in March 1992 as Assistant Controller after serving as a senior manager with the accounting firm of Adams and Plucker in Greeneville, Tennessee.

Craig A. Drum has served as Senior Vice President, Sales since July 2001 after joining us in January 2000 as Vice President, Sales for one of our subsidiaries. In February 2001, Mr. Drum was promoted to Vice President of National Accounts. Prior to January 2000, Mr. Drum spent most of his 24-year career in air freight with Delta Air Lines, Inc., most recently as the Director of Sales and Marketing - Cargo.

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

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

## Part II

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

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

| 2010 | High | Low | Dividends |
|---|---|---|---|
| First Quarter | $ 27.37 | $ 21.92 | $ 0.07 |
| Second Quarter | 30.30 | 25.29 | 0.07 |
| Third Quarter | 29.91 | 22.39 | 0.07 |
| Fourth Quarter | 30.16 | 24.63 | 0.07 |

| 2009 | High | Low | Dividends |
|---|---|---|---|
| First Quarter | $ 24.66 | $ 13.80 | $ 0.07 |
| Second Quarter | 24.60 | 13.48 | 0.07 |
| Third Quarter | 25.39 | 19.73 | 0.07 |
| Fourth Quarter | 26.29 | 20.32 | 0.07 |

There were approximately 386 shareholders of record of our Common Stock as of January 14, 2011.

Subsequent to December 31, 2010, our Board of Directors declared a cash dividend of $0.07 per share that will be paid on March 28, 2011 to shareholders of record at the close of business on March 13, 2011. We expect 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 2010 without registration under the Securities Act.

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information as of December 31, 2010 with respect to shares of our Common Stock that may be issued under existing equity compensation plans, the 1999 Stock Option and Incentive Plan (the "1999 Plan"), the Amended and Restated Stock Option and Incentive Plan ("1999 Amended Plan"), the Non-Employee Director Stock Option Plan (the "NED Plan"), the 2000 Non-Employee Director Award (the "2000 NED Award"), the 2005 Employee Stock Purchase Plan (the "ESPP") and the Amended and Restated Non-Employee Director Stock Plan (the "Amended Plan"). Our shareholders have approved each of these plans.

**Equity Compensation Plan Information**

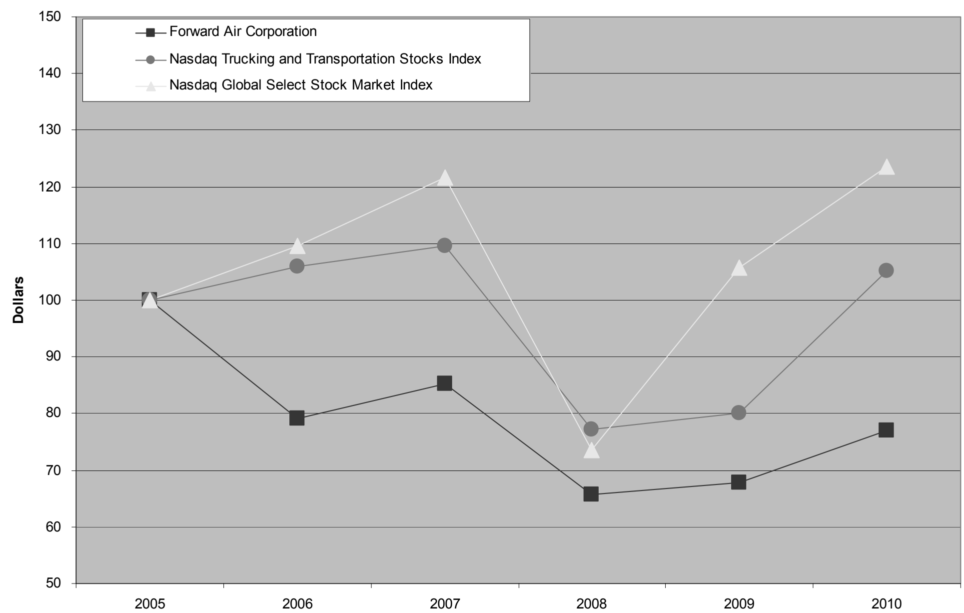
| Plan Category | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans |
|---|---|---|---|
| | | (a) | (b) |
| Equity Compensation Plans Approved by Shareholders | 3,784,123 | $ 26 | 2,759,609 |
| Equity Compensation Plans Not Approved by Shareholders | -- | -- | -- |
| Total | 3,784,123 | $ 26 | 2,759,609 |

(a) 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 close of (i) the first trading day of an option period or (ii) the last trading day of an option period.

(b) Includes shares available for future issuance under the ESPP. As of December 31, 2010, an aggregate of 439,090 shares of Common Stock were available for issuance under the ESPP.

**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 2005 and ending on the last trading day of December 2010. The graph assumes a base investment of $100 made on December 31, 2005 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.




| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Forward Air Corporation | 100 | 79 | 85 | 66 | 68 | 77 |
| Nasdaq Trucking and Transportation Stocks Index | 100 | 106 | 110 | 77 | 80 | 105 |
| Nasdaq Global Select Stock Market Index | 100 | 110 | 122 | 73 | 106 | 124 |

**Issuer Purchases of Equity Securities**

No shares of our Common Stock were repurchased by the Company during the quarter ended December 31, 2010.

### 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 consolidated financial statements and notes thereto, included elsewhere in this report.

| | Year ended | | | | |
|---|---|---|---|---|---|
| | December 31, 2010 | December 31, 2009 | December 31, 2008 | December 31, 2007 | December 31, 2006 |
| | (In thousands, except per share data) | | | | |
| **Income Statement Data:** | | | | | |
| Operating revenue | $ 483,939 | $ 417,410 | $ 474,436 | $ 392,737 | $ 352,758 |
| Income from operations | 53,739 | 18,550 | 70,285 | 71,048 | 75,396 |
| Operating margin (1) | 11.1% | 4.4% | 14.8% | 18.1% | 21.4% |
| Net income | 32,036 | 9,802 | 42,542 | 44,925 | 48,923 |
| Net income per share: | | | | | |
| Basic | $ 1.11 | $ 0.34 | $ 1.48 | $ 1.52 | $ 1.57 |
| Diluted | $ 1.10 | $ 0.34 | $ 1.47 | $ 1.50 | $ 1.55 |
| Cash dividends declared per common share | $ 0.28 | $ 0.28 | $ 0.28 | $ 0.28 | $ 0.28 |
| **Balance Sheet Data (at end of period):** | | | | | |
| Total assets | $ 348,796 | $ 316,730 | $ 307,527 | $ 241,884 | $ 213,014 |
| Long-term obligations, net of current portion | 50,883 | 52,169 | 53,035 | 31,486 | 796 |
| Shareholders' equity | 256,086 | 224,507 | 216,434 | 171,733 | 185,227 |

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

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

***Overview and Executive Summary***

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

Through our Forward Air segment, we are a leading provider of time-definite surface transportation and related logistics services to the North American deferred air freight market. We offer our customers local pick-up and delivery (Forward Air Complete™) and scheduled surface transportation of cargo as a cost-effective, reliable alternative to air transportation. We transport cargo that must be delivered at a specific time, but is less time-sensitive than traditional air freight. This type of cargo is frequently referred to in the transportation industry as deferred air freight. We operate our Forward Air segment through a network of terminals located on or near airports in 84 cities in the United States and Canada, including a central sorting facility in Columbus, Ohio and 12 regional hubs serving key markets. We also offer our customers an array of logistics and other services including: TLX; dedicated fleets; warehousing; customs brokerage; and shipment consolidation, deconsolidation and handling.

FASI provides pool distribution services throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. Our primary customers for this product are regional and nationwide distributors and retailers, such as mall, strip mall and outlet-based retail chains. We service these customers through a network of terminals and service centers located in 19 cities.

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

***Trends and Developments***

*Acquisitions*

On September 8, 2008, we acquired certain assets and liabilities of Service Express. Service Express was a privately-held provider of pool distribution services primarily in the Mid-Atlantic and Southeastern continental United States. Service Express generated approximately $39.0 million in revenue during the year ended December 31, 2007. The acquisition of Service Express' pool distribution services added to the geographic footprint of the FASI segment in the Mid-Atlantic and Southeastern United States.

On March 17, 2008, we acquired certain assets and liabilities of Pinch. Pinch was a privately-held provider of pool distribution, airport-to-airport, truckload, customs, and cartage services primarily to the Southwestern continental United States. Pinch generated approximately $35.0 million in revenue during the year ended December 31, 2007. The acquisition of Pinch's pool distribution services expanded the geographic footprint of the FASI segment in the Southwestern United States. In addition, it provided additional tonnage density to the Forward Air airport-to-airport network, and the acquisition of Pinch's cartage and truckload business provided an opportunity for Forward Air to expand its service options in the Southwestern United States.

*Results from Operations*

During the year ended December 31, 2010, driven by our Forward Air segment we experienced significant year-over-year increases in our consolidated revenues and results from operations. We largely attribute the increase in Forward Air revenue and income from operations to the improving economic conditions and its effects on our overall business volumes and the rates we are able to charge for our core services.

FASI revenue was consistent year-over-year. FASI 2010 revenue growth was impeded by customer losses during 2010 which were mostly offset by new business wins. In particular, during the second quarter of 2010, we ceased providing services to one of FASI's largest customers at the time. These customer losses resulted in approximately $9.6 million less FASI revenue in 2010 compared to 2009, but these losses were offset by new customer wins. While the customer losses mitigated revenue growth during 2010 and will continue to lessen FASI's revenue growth during the first half of 2011, the lost revenue was low yielding and the anticipated impact on operating results from curtailing these services has been minimal. The improvement in FASI's loss from operations in 2010 as compared to 2009 is largely attributable to 2009 including a $7.0 million impairment of goodwill, as well as the removal of a poor performing customer account and improvements in operational efficiency during 2010.

Throughout 2010 fuel prices increased notably over 2009. Our net fuel surcharge revenue is the result of our fuel surcharge rates, which are set weekly using the national average for diesel price per gallon, and the tonnage transiting our network. The increase in shipping activity combined with the increasing diesel fuel prices have resulted in an increase in our net fuel surcharge revenue. Total net fuel surcharge revenue increased 59.8% during 2010 compared to 2009.

*Segments*

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

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

Our FASI segment includes our pool distribution business.

*Goodwill*

During the first quarter of 2009, we determined there were indicators of potential impairment of the goodwill assigned to the FASI segment. This determination was based on the economic recession experienced in 2009 and the resulting declines in market valuations and FASI operating losses in excess of expectations. As a result, we performed an interim impairment test. We calculated the fair value of the FASI segment, using a combination of discounted cash flows and current market valuations for comparable companies. Based on the results of the interim impairment test, we recorded a non-cash goodwill impairment charge of $7.0 million related to the FASI segment during the first quarter of 2009.

In accordance with our accounting policy, we conducted our annual impairment test of goodwill for each reportable segment as of June 30, 2009 and 2010 and no further impairment charges were required.

As of December 31, 2010, the carrying value of goodwill related to the Forward Air and FASI segments was $37.9 million and $5.4 million, respectively. The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. Earnings estimated to be generated by our Forward Air segment are expected to continue supporting the carrying value of its goodwill. Our FASI segment is currently facing the challenges of building and expanding a business during difficult economic times. If these overall economic conditions worsen or continue for an extended period of time, future estimates of projected financial information may be reduced, and we may be required to record an additional impairment charge against the carrying value of FASI's goodwill.

*Results of Operations*

The following table sets forth our historical financial data for the years ended December 31, 2010 and 2009 (in millions):

| | Year ended | | | |
|---|---|---|---|---|
| | **December 31, 2010** | **December 31, 2009** | **Change** | **Percent Change** |
| Operating revenue | $ 483.9 | $ 417.4 | $ 66.5 | 15.9% |
| Operating expenses: | | | | |
| Purchased transportation | 201.4 | 174.4 | 27.0 | 15.5 |
| Salaries, wages, and employee benefits | 129.1 | 118.8 | 10.3 | 8.7 |
| Operating leases | 26.3 | 27.3 | (1.0) | (3.7) |
| Depreciation and amortization | 20.4 | 19.7 | 0.7 | 3.6 |
| Insurance and claims | 8.4 | 9.7 | (1.3) | (13.4) |
| Fuel expense | 8.5 | 7.3 | 1.2 | 16.4 |
| Other operating expenses | 36.1 | 34.4 | 1.7 | 4.9 |
| Impairment of goodwill and other intangible assets | -- | 7.2 | (7.2) | (100.0) |
| Total operating expenses | 430.2 | 398.8 | 31.4 | 7.9 |
| Income from operations | 53.7 | 18.6 | 35.1 | 188.7 |
| Other income (expense): | | | | |
| Interest expense | (0.7) | (0.7) | -- | -- |
| Other, net | 0.1 | 0.1 | -- | -- |
| Total other expense | (0.6) | (0.6) | -- | -- |
| Income before income taxes | 53.1 | 18.0 | 35.1 | 195.0 |
| Income taxes | 21.1 | 8.2 | 12.9 | 157.3 |
| Net income | $ 32.0 | $ 9.8 | $ 22.2 | 226.5% |

The following table sets forth our historical financial data by segment for the years ended December 31, 2010 and 2009 (in millions):

| | Year ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2010 | Percent of Revenue | December 31, 2009 | Percent of Revenue | Change | % Change |
| **Operating revenue** | | | | | | |
| Forward Air | $ 412.9 | 85.3% | $ 346.3 | 83.0% | $ 66.6 | 19.2% |
| FASI | 72.5 | 15.0 | 72.5 | 17.4 | -- | -- |
| Intercompany Eliminations | (1.5) | (0.3) | (1.4) | (0.4) | (0.1) | 7.1 |
| **Total** | 483.9 | 100.0 | 417.4 | 100.0 | 66.5 | 15.9 |
| **Purchased transportation** | | | | | | |
| Forward Air | 185.8 | 45.0 | 160.3 | 46.3 | 25.5 | 15.9 |
| FASI | 16.9 | 23.3 | 15.4 | 21.2 | 1.5 | 9.7 |
| Intercompany Eliminations | (1.3) | (86.7) | (1.3) | 92.9 | -- | -- |
| **Total** | 201.4 | 41.6 | 174.4 | 41.8 | 27.0 | 15.5 |
| **Salaries, wages and employee benefits** | | | | | | |
| Forward Air | 98.3 | 23.8 | 85.7 | 24.7 | 12.6 | 14.7 |
| FASI | 30.8 | 42.5 | 33.1 | 45.6 | (2.3) | (6.9) |
| **Total** | 129.1 | 26.7 | 118.8 | 28.5 | 10.3 | 8.7 |
| **Operating leases** | | | | | | |
| Forward Air | 18.6 | 4.5 | 18.7 | 5.4 | (0.1) | (0.5) |
| FASI | 7.7 | 10.6 | 8.6 | 11.9 | (0.9) | (10.5) |
| **Total** | 26.3 | 5.4 | 27.3 | 6.5 | (1.0) | (3.7) |
| **Depreciation and amortization** | | | | | | |
| Forward Air | 16.5 | 4.0 | 16.1 | 4.6 | 0.4 | 2.5 |
| FASI | 3.9 | 5.4 | 3.6 | 5.0 | 0.3 | 8.3 |
| **Total** | 20.4 | 4.2 | 19.7 | 4.7 | 0.7 | 3.6 |
| **Insurance and claims** | | | | | | |
| Forward Air | 6.2 | 1.5 | 7.6 | 2.2 | (1.4) | (18.4) |
| FASI | 2.2 | 3.0 | 2.1 | 2.9 | 0.1 | 4.8 |
| **Total** | 8.4 | 1.7 | 9.7 | 2.3 | (1.3) | (13.4) |
| **Fuel expense** | | | | | | |
| Forward Air | 3.8 | 0.9 | 3.1 | 0.9 | 0.7 | 22.6 |
| FASI | 4.7 | 6.5 | 4.2 | 5.8 | 0.5 | 11.9 |
| **Total** | 8.5 | 1.8 | 7.3 | 1.8 | 1.2 | 16.4 |
| **Other operating expenses** | | | | | | |
| Forward Air | 29.8 | 7.2 | 27.7 | 8.0 | 2.1 | 7.6 |
| FASI | 6.5 | 9.0 | 6.8 | 9.4 | (0.3) | (4.4) |
| Intercompany Eliminations | (0.2) | (13.3) | (0.1) | 7.1 | (0.1) | 100.0 |
| **Total** | 36.1 | 7.5 | 34.4 | 8.3 | 1.7 | 4.9 |
| **Impairment of goodwill and other intangible assets** | | | | | | |
| Forward Air | -- | -- | 0.2 | 0.1 | (0.2) | (100.0) |
| FASI | -- | -- | 7.0 | 9.6 | (7.0) | (100.0) |
| **Total** | -- | -- | 7.2 | 1.7 | (7.2) | (100.0) |
| **Income (loss) from operations** | | | | | | |
| Forward Air | 53.9 | 13.1 | 26.9 | 7.8 | 27.0 | 100.4 |
| FASI | (0.2) | (0.3) | (8.3) | (11.4) | 8.1 | (97.6) |
| **Total** | $ 53.7 | 11.1% | $ 18.6 | 4.4% | $ 35.1 | 188.7% |

The following table presents the components of the Forward Air segment's operating revenue and purchased transportation for the years ended December 31, 2010 and 2009 (in millions):

| | | 2010 | Percent of Revenue | | 2009 | Percent of Revenue | | Change | Percent Change |
|---|---|---|---|---|---|---|---|---|---|
| **Forward Air revenue** | | | | | | | | | |
| Airport-to-airport | $ | 322.2 | 78.0% | $ | 268.8 | 77.6% | $ | 53.4 | 19.9% |
| Logistics | | 65.6 | 15.9 | | 54.4 | 15.7 | | 11.2 | 20.6 |
| Other | | 25.1 | 6.1 | | 23.1 | 6.7 | | 2.0 | 8.7 |
| **Total** | $ | 412.9 | 100.0% | $ | 346.3 | 100.0% | $ | 66.6 | 19.2% |
| **Forward Air purchased transportation** | | | | | | | | | |
| Airport-to-airport | $ | 129.3 | 40.1% | $ | 112.8 | 42.0% | $ | 16.5 | 14.6% |
| Logistics | | 50.2 | 76.5 | | 42.2 | 77.6 | | 8.0 | 19.0 |
| Other | | 6.3 | 25.1 | | 5.3 | 22.9 | | 1.0 | 18.9 |
| **Total** | $ | 185.8 | 45.0% | $ | 160.3 | 46.3% | $ | 25.5 | 15.9% |

*Year ended December 31, 2010 compared to Year ended December 31, 2009*

***Revenues***

Operating revenue increased by $66.5 million, or 15.9%, to $483.9 million for the year ended December 31, 2010 from $417.4 million for the year ended December 31, 2009.

*Forward Air*

Forward Air operating revenue increased $66.6 million, or 19.2%, to $412.9 million from $346.3 million, accounting for 85.3% of consolidated operating revenue for the year ended December 31, 2010. Airport-to-airport revenue, which is the largest component of our consolidated operating revenue, increased $53.4 million, or 19.9%, to $322.2 million from $268.8 million, accounting for 78.0% of the segment's operating revenue during the year ended December 31, 2010 compared to 77.6% for the year ended December 31, 2009. A significant increase in tonnage and an increase in our base revenue per pound, excluding net fuel surcharge revenue and Forward Air Complete ("Complete") revenue, accounted for $38.0 million of the increase in airport-to-airport revenue. Our airport-to-airport business is priced on a per pound basis and the average revenue per pound, excluding the impact of fuel surcharges and Complete, increased 2.1% for the year ended December 31, 2010 versus the year ended December 31, 2009. Tonnage that transited our network increased by 13.9% during the year ended December 31, 2010 compared with the year ended December 31, 2009. The increase in tonnage was primarily driven by the improved economic conditions during 2010 and the resulting increase in shipping activity. Average base revenue per pound increased as a result of a general rate increase implemented on May 1, 2010. The remaining increase in airport-to-airport revenue is the result of increased net fuel surcharge revenue and Complete pick-up and delivery revenue. Net fuel surcharge revenue increased $7.8 million during the year ended December 31, 2010 as compared to the year ended December 31, 2009 as a result of higher average fuel prices and increased overall business volumes. Complete pick-up and delivery revenue increased $7.6 million during the year ended December 31, 2010 compared to 2009. The increase in Complete revenue is attributable to an increased attachment rate of the Complete service to our standard airport-to-airport service and the overall improvement in tonnage volumes during the year ended December 31, 2010 compared to the year ended December 31, 2009.

Logistics revenue, which is primarily TLX and priced on a per mile basis, increased $11.2 million, or 20.6%, to $65.6 million for the year ended December 31, 2010 from $54.4 million for the year ended December 31, 2009. TLX revenue increased $9.9 million and 20.0% year over year as TLX average revenue per mile increased approximately 2.7% in 2010 compared to 2009 while miles driven to support our TLX revenue increased 16.8% from 2009 to 2010. Similar to our airport-to-airport service, TLX miles increased in conjunction with the improving economy and the resulting increase in shipping activity. The increase in average revenue per mile is mainly attributable to increased fuel surcharges as a result of higher fuel prices and increased yield per mile as the increase in shipping activity has resulted in decreased available truckload capacity and reduced truckload price competition. The remaining $1.3 million increase in logistics revenue was attributable to increases in other non-mileage based logistic revenues, such as drayage. The increase in non-mileage based services was in conjunction with the improvement in TLX business volumes.

Other revenue, which includes warehousing services and terminal handling, accounts for the final component of Forward Air operating revenue. Other revenue increased $2.0 million, or 8.7%, to $25.1 million during the year ended December 31, 2010 from $23.1 million during the year ended December 31, 2009. The increase in revenue was primarily due to increases in local terminal handling and sorting services, such as freight and container transfers, that increased in conjunction with our efforts to increase terminal utilization during off peak hours.

*FASI*

FASI operating revenue was $72.5 million for both the year ended December 31, 2010 and 2009. FASI operating revenue was consistent year-over-year in total, but included significant customer losses discussed above that were offset by various new business wins for which service began at various times throughout 2009 and 2010. The customer losses resulted in approximately $9.6 million less FASI revenue in 2010 compared to 2009. The new business wins were largely expansion of services with previously existing customers.

*Intercompany Eliminations*

Intercompany eliminations increased $0.1 million, or 7.1%, to $1.5 million during the year ended December 31, 2010 from $1.4 million during the year ended December 31, 2009. The intercompany eliminations are the result of truckload and airport-to-airport services Forward Air provided to FASI. FASI also provided cartage and station agent services to Forward Air. The increase in intercompany eliminations was the result of increased agent station services FASI provided to Forward Air during the year ended December 31, 2010.

***Purchased Transportation***

Purchased transportation increased by $27.0 million, or 15.5%, to $201.4 million for the year ended December 31, 2010 from $174.4 million for the year ended December 31, 2009. As a percentage of total operating revenue, purchased transportation was 41.6% during the year ended December 31, 2010 compared to 41.8% for the year ended December 31, 2009.

*Forward Air*

Forward Air's purchased transportation increased by $25.5 million, or 15.9%, to $185.8 million for the year ended December 31, 2010 from $160.3 million for the year ended December 31, 2009. The increase in purchased transportation is primarily attributable to an increase of approximately 12.2% in miles driven and a 3.3% increase in the total cost per mile for the year ended December 31, 2010 versus the year ended December 31, 2009. As a percentage of segment operating revenue, Forward Air purchased transportation was 45.0% during the year ended December 31, 2010 compared to 46.3% for the year ended December 31, 2009.

Purchased transportation costs for our airport-to-airport network increased $16.5 million, or 14.6%, to $129.3 million for the year ended December 31, 2010 from $112.8 million for the year ended December 31, 2009. For the year ended December 31, 2010, purchased transportation for our airport-to-airport network decreased to 40.1% of airport-to-airport revenue from 42.0% for the year ended December 31, 2009. The $16.5 million increase is attributable to a 10.5% increase in miles driven by our network of owner-operators or third party transportation providers in addition to a 2.2% increase in cost per mile paid to our network of owner-operators or third party transportation providers. The increase in miles increased purchased transportation by $10.0 million while the increase in cost per mile increased purchased transportation $2.3 million. Miles driven by our network of owner-operators or third party transportation providers increased in conjunction with the tonnage increase discussed above. The 2.2% increase in airport-to-airport cost per mile was the result of increased utilization of more costly third party transportation providers as opposed to our network of owner-operators. We increased our use of third party transportation provides in order to fill the capacity required by the increased business volumes discussed above. In addition to these increases in airport-to-airport purchased transportation was a $4.2 million increase in expenses for third party transportation costs associated with the increased customer utilization of Complete.

Purchased transportation costs for our logistics revenue increased $8.0 million, or 19.0%, to $50.2 million for the year ended December 31, 2010 from $42.2 million for the year ended December 31, 2009. For the year ended December 31, 2010, logistics' purchased transportation costs represented 76.5% of logistics revenue versus 77.6% for the year ended December 31, 2009. The increase in logistics' purchased transportation was largely attributable to the $7.5 million, or 19.1%, increase in TLX purchased transportation. Miles driven to support our TLX revenue increased 16.8% and the cost per mile increased approximately 2.0% during 2010 compared to 2009. The increase in cost per mile was mostly attributable to the increased utilization of our more costly third party transportation providers as opposed to our network of owner-operators. Other non-mileage based logistics' purchased transportation costs related to our drayage and other services increased $0.5 million.

Purchased transportation costs related to our other revenue increased $1.0 million, or 18.9%, to $6.3 million for the year ended December 31, 2010 from $5.3 million for the year ended December 31, 2009. Other purchased transportation costs as a percentage of other revenue increased to 25.1% of other revenue for the year ended December 31, 2010 from 22.9% for the year ended December 31, 2009. The increase in other purchased transportation costs as a percentage of other revenue is attributable to our efforts to increase local terminal revenue streams. These alternate revenue streams often require the use of more costly third party transportation providers, as opposed to Company-employed drivers or our network of owner-operators.

*FASI*

FASI purchased transportation increased $1.5 million, or 9.7%, to $16.9 million for the year ended December 31, 2010 from $15.4 million for the year ended December 31, 2009. FASI purchased transportation as a percentage of revenue was 23.3% for the year ended December 31, 2010 compared to 21.2% for the year ended December 31, 2009. The increase in FASI purchased transportation in total dollars and as a percentage of revenue is attributable to our efforts to shift FASI to a more variable cost model by increasing the use of owner-operators as opposed to Company-employed drivers.

*Intercompany Eliminations*

Intercompany eliminations were $1.3 million for the years ended December 31, 2010 and 2009. The intercompany eliminations are the result of truckload and airport-to-airport services Forward Air provided to FASI during the year end December 31, 2010. FASI also provided cartage services to Forward Air.

***Salaries, Wages, and Benefits***

Salaries, wages and employee benefits increased $10.3 million, or 8.7%, to $129.1 million for the year ended December 31, 2010 from $118.8 million for the year ended December 31, 2009. As a percentage of total operating revenue, salaries, wages and employee benefits was 26.7% during the year ended December 31, 2010 compared to 28.5% in December 31, 2009.

*Forward Air*

Salaries, wages and employee benefits of Forward Air increased by $12.6 million, or 14.7%, to $98.3 million for the year ended December 31, 2010 from $85.7 million for the year ended December 31, 2009. Salaries, wages and employee benefits were 23.8% of Forward Air's operating revenue for the year ended December 31, 2010 compared to 24.7% for the year ended December 31, 2009. The $12.6 million increase in salaries, wages, and benefits was driven by increases in employee incentives, loss development reserves associated with workers' compensation claims, health insurance claims and variable wages. Employee incentives increased $4.9 million on achievement of quarterly and annual performance goals for the year ended December 31, 2010. Workers' compensation claims increased $0.9 million on increases in loss development reserves associated with prior period claims. Health insurance claims increased $1.4 million primarily as a result of a small number of individually large medical claims that reached our self-insured limits during the year ended December 31, 2010. These increases were partially offset by a $0.6 million reduction in share-based compensation. The decrease in share-based compensation was mainly due to final vesting of our 2007 stock option awards partially offset by 2010 stock option grants to key employees. The remaining $6.0 million increase is associated with increased variable wages, primarily dock employees, which increased in conjunction with the increased business volumes discussed above.

*FASI*

Salaries, wages and employee benefits of FASI decreased by $2.3 million, or 6.9%, to $30.8 million for the year ended December 31, 2010 from $33.1 million for the year ended December 31, 2009. As a percentage of FASI operating revenue, salaries, wages and benefits decreased to 42.5% for the year ended December 31, 2010 compared to 45.6% for the year ended December 31, 2009. FASI salaries, wages and employee benefits are higher as a percentage of operating revenue than our Forward Air segment, as a larger percentage of the transportation services are performed by Company-employed drivers. The decrease in salaries, wages and employee benefits as a percentage of revenue is attributable to reduced dock wages, Company-employed driver pay and reduced workers' compensation and health insurance claims. As noted above, to move FASI to a more variable cost structure, we are in the process of shifting, wherever feasible, from Company-employed drivers to owner-operators. As a result, we reduced pay to Company-employed drivers by 1.7% as a percentage of revenue. Also, for the year ended December 31, 2010 we reduced our dock wages by 0.8% as a percentage of revenue compared to the year ended December 31, 2009. The improvement in dock wages is largely the result of efficiencies gained by installing conveyor systems in our larger facilities and replacing contract labor with Company-employed dock personnel. Workers' compensation claims and groups insurance also decreased approximately 0.9% as a percentage of revenue on improved current year claim experience.

These decreases were partially offset by a 0.3% increase in employee incentives and share-based compensation. Employee incentives increased 0.2% as a percentage of revenue due to certain terminals and employees reaching quarterly performance goals. The increase in share-based compensation is attributable to 2010 stock option awards to key FASI employees.

***Operating Leases***

Operating leases decreased by $1.0 million, or 3.7%, to $26.3 million for the year ended December 31, 2010 from $27.3 million in the year ended December 31, 2009. Operating leases, the largest component of which is facility rent, were 5.4% of consolidated operating revenue for the year ended December 31, 2010 compared with 6.5% for the year ended December 31, 2009.

*Forward Air*

Operating leases decreased $0.1 million, or 0.5%, to $18.6 million for the year ended December 31, 2010 from $18.7 million for the year ended December 31, 2009. Operating leases were 4.5% of Forward Air's operating revenue for the year ended December 31, 2010 compared with 5.4% for the year ended December 31, 2009. The decrease in operating leases is mostly attributable to a $0.1 million decrease in office rent. The decline in office rent was the result of completing our new regional hub in Dallas/Fort Worth at the beginning of the third quarter of 2009. In conjunction with the opening of this facility we were able to move out of the previously leased facilities and reduce operating lease expense. This reduction has been partially offset by certain existing terminals being relocated to larger facilities.

*FASI*

Operating leases decreased $0.9 million, or 10.5%, to $7.7 million for the year ended December 31, 2010 from $8.6 million for the year ended December 31, 2009. Operating leases were 10.6% of FASI operating revenue for the year ended December 31, 2010 compared with 11.9% for the year ended December 31, 2009. Approximately $0.6 million of the decrease was attributable to lower facility rent due to the consolidation of duplicate facilities after our 2008 acquisitions. The remaining $0.3 million decrease is the result of the turn-in of previously leased or rented vehicles and trailers.

***Depreciation and Amortization***

Depreciation and amortization increased $0.7 million, or 3.6%, to $20.4 million for the year ended December 31, 2010 from $19.7 million for the year ended December 31, 2009. Depreciation and amortization was 4.2% of consolidated operating revenue for the year ended December 31, 2010 compared with 4.7% for the year ended December 31, 2009.

*Forward Air*

Depreciation and amortization increased $0.4 million, or 2.5%, to $16.5 million for the year ended December 31, 2010 from $16.1 million for the year ended December 31, 2009. Depreciation and amortization expense as a percentage of Forward Air operating revenue was 4.0% in the year ended December 31, 2010 compared to 4.6% for the year ended December 31, 2009. Approximately $0.3 million of the increase is attributable to new trailers purchased in the fourth quarter of 2009 and mid 2010. The remaining $0.1 million increase is primarily the result of a full year of depreciation on our Dallas/Fort Worth regional hub net of allocations of depreciation expense for the facility's usage to FASI.

*FASI*

Depreciation and amortization increased $0.3 million, or 8.3%, to $3.9 million for the year ended December 31, 2010 from $3.6 million for the year ended December 31, 2009. Depreciation and amortization expense as a percentage of FASI operating revenue was 5.4% for the year ended December 31, 2010 compared to 5.0% for the year ended December 31, 2009. The $0.3 million increase is largely attributable to an allocation of depreciation expense for FASI's proportionate usage of the Dallas/Fort Worth regional hub and depreciation on conveyor systems installed in certain terminals during 2010.

***Insurance and Claims***

Insurance and claims expense decreased $1.3 million, or 13.4%, to $8.4 million for the year ended December 31, 2010 from $9.7 million for the year ended December 31, 2009. Insurance and claims was 1.7% of consolidated operating revenue during 2010 compared with 2.3% in 2009.

*Forward Air*

Forward Air insurance and claims expense decreased $1.4 million, or 18.4%, to $6.2 million for the year ended December 31, 2010 from $7.6 million for the year ended December 31, 2009. Insurance and claims as a percentage of Forward Air's operating revenue was 1.5% in the year ended December 31, 2010 compared to 2.2% for the year ended December 31, 2009. The decrease in insurance and claims is attributable to reduced premiums, vehicle accident claims and cargo claims, offset by increased legal and professional fees. Insurance premiums decreased $1.1 million as a result of a decrease in insurance premiums compared to 2009 on renewed and renegotiated insurance plans and reductions of reserves for premium audits related to previous years. Reserves for current year vehicle accidents and cargo claims decreased $0.5 million on improved claims experience. These decreases were offset by a $0.3 million increase in legal and professional fees primarily associated with the litigation of prior year accidents and claims.

*FASI*

FASI insurance and claims increased $0.1 million to $2.2 million for the year ended December 31, 2010 from $2.1 million for the year ended December 31, 2009. As a percentage of operating revenue, insurance and claims was 3.0% for the year ended December 31, 2010 compared to 2.9% for the year ended December 31, 2009. The $0.1 million increase is primarily due to a reduction in 2009 of our loss development reserves for vehicle claims resulting from an actuarial analysis of our vehicle claims. No similar reduction occurred in 2010.

***Fuel Expense***

Fuel expense increased $1.2 million, or 16.4%, to $8.5 million in the year ended December 31, 2010 from $7.3 million in the year ended December 31, 2009. Fuel expense was 1.8% of consolidated operating revenue for the year ended December 31, 2010 and 2009.

*Forward Air*

Forward Air fuel expense increased $0.7 million, or 22.6%, to $3.8 million for the year ended December 31, 2010 from $3.1 million in the year ended December 31, 2009. Fuel expense was 0.9% of Forward Air's operating revenue for the years ended December 31, 2010 and 2009. The increase in total dollars is attributable to increased mileage activity as well as increased average fuel prices during the year end December 31, 2010 compared to the year ended December 31, 2009.

*FASI*

FASI fuel expense increased $0.5 million, or 11.9%, to $4.7 million for the year ended December 31, 2010 from $4.2 million for the year ended December 31, 2009. Fuel expenses were 6.5% of FASI operating revenue during the year ended December 31, 2010 compared to 5.8% for the year ended December 31, 2009. FASI fuel expense is significantly higher as a percentage of operating revenue than Forward Air's fuel expense, as FASI utilizes a higher ratio of Company-employed drivers and Company-owned or leased vehicles in its operations than Forward Air. The increase in FASI fuel expense was attributable to the increase in average fuel prices during the year ended December 31, 2010 as compared to the year ended December 31, 2009 net of reductions in miles driven by Company-owned units.

***Other Operating Expenses***

Other operating expenses increased $1.7 million, or 4.9%, to $36.1 million for the year ended December 31, 2010 from $34.4 million for the year ended December 31, 2009. Other operating expenses were 7.5% of consolidated operating revenue for the year ended December 31, 2010 compared with 8.3% for the year ended December 31, 2009.

*Forward Air*

Forward Air other operating expenses increased $2.1 million, or 7.6%, to $29.8 million for the year ended December 31, 2010 from $27.7 million for the year ended December 31, 2009. Forward Air other operating expenses were 7.2% of operating revenue for the year ended December 31, 2010 compared to 8.0% for the year ended December 31, 2009. The increase in other operating expenses in total dollars was attributable to increases in variable costs, such as dock supplies, vehicle maintenance and tolls, which increased as a result of the increased business volumes discussed previously. These increases were partially offset by a $0.7 million gain recognized on the termination of a capital lease for a building located near our Columbus, Ohio hub facility.

*FASI*

FASI other operating expenses decreased $0.3 million, or 4.4%, to $6.5 million for the year ended December 31, 2010 compared to $6.8 million for the year ended December 31, 2009. FASI other operating expenses were 9.0% of operating revenue for the year ended December 31, 2010 compared to 9.4% for the year ended December 31, 2009. The $0.3 million decrease is attributable to reductions in vehicle maintenance, dock supplies and cost control efforts. Vehicle maintenance decreased $0.2 million on reductions in leased and rented vehicles due to the turn-in of leased and rented vehicles assumed with the 2008 acquisitions. The FASI customer losses discussed above were largely responsible for a $0.1 million decrease in dock supplies due to the discontinued customers' packing requirements.

*Intercompany Eliminations*

Intercompany eliminations were $0.2 million during the year ended December 31, 2010 compared to 0.1 million for the year ended December 31, 2009. The intercompany eliminations are for agent station services FASI provided to Forward Air during the year ended December 31, 2010.

***Impairment of Goodwill and Other Intangible Assets***

Impairment of goodwill and other intangible assets was $7.2 million during the year ended December 31, 2009. Impairment of goodwill was 1.7% of consolidated operating revenue for year ended December 31, 2009. There were no impairments to goodwill and other intangible assets in 2010.

*Forward Air*

Impairment of goodwill and other intangible assets was $0.2 million, or 0.1%, of Forward Air's operating revenue, during the year ended December 31, 2009. During the year ended December 31, 2009, Forward Air recorded a non-cash $0.2 million charge to write off the net book value of certain truckload and cargo handling customer relationships that had been discontinued during 2009. Forward Air had no impairments to goodwill and other intangible assets in 2010.

*FASI*

During the first quarter of 2009, we determined there were indicators of potential impairment of the goodwill assigned to the FASI segment. This determination was made based on the continuing economic recession, declines in current market valuations and FASI operating losses in excess of expectations. As a result, we performed an interim impairment test as of March 31, 2009. Based on the results of the impairment test, we recorded a non-cash goodwill impairment charge of $7.0 million related to the FASI segment during 2009. Forward Air Solutions had no impairments to goodwill and other intangible assets in 2010.

***Results from Operations***

Income from operations increased by $35.1 million to $53.7 million for the year ended December 31, 2010 compared with $18.6 million for the year ended December 31, 2009. Income from operations was 11.1% of consolidated operating revenue for the year ended December 31, 2010 compared with 4.4% for the year ended December 31, 2009.

*Forward Air*

Income from operations increased by $27.0 million to $53.9 million for the year ended December 31, 2010 compared with $26.9 million for the year ended December 31, 2009. Forward Air's income from operations was 13.1% of operating revenue for the year ended December 31, 2010 compared with 7.8% for the year ended December 31, 2009. The increase in income from operations was primarily the result of the increased revenues discussed above and the resulting positive leverage the additional revenues provide against the fixed costs of the Forward Air network.

*FASI*

FASI loss from operations decreased by $8.1 million, or 97.6%, to a $0.2 million loss from operations for the year ended December 31, 2010 from a loss from operations of $8.3 million for the year ended December 31, 2009. FASI loss from operations was 0.3% of operating revenue for the year ended December 31, 2010 compared with 11.4% for the year ended December 31, 2009. The decrease in FASI's loss from operations was primarily driven by the $7.0 million non-cash, goodwill impairment charge incurred in 2009. The remaining decrease in FASI's loss from operations was attributable to the discontinuance of low yield business and continuing efforts to improve operating efficiencies and control variable and discretionary costs.

***Interest Expense***

Interest expense was $0.7 million for the years ended December 31, 2010 and 2009.

***Other Income, Net***

Other, net was income of $0.1 million for the years ended December 31, 2010 and 2009.

***Provision for Income Taxes***

The combined federal and state effective tax rate for the year ended December 31, 2010 was 39.7% compared to a rate of 45.3% for the year ended December 31, 2009. The decrease in our effective tax rate is primarily attributable to the increase in our income before income taxes combined with a decrease in share-based compensation on incentive stock options. The share-based compensation for incentive stock options is mostly not deductible for income tax reporting. Also, decreasing the provision for income taxes during 2010 was a $0.1 million reduction in the valuation allowance associated with a decrease in FASI's net deferred tax assets. During 2009, we increased the valuation allowance on FASI's net deferred tax assets by $0.2 million. In addition, the provision for income taxes for the year ended December 31, 2009 was increased by a $0.2 million reserve for a state income tax contingency.

***Net Income***

As a result of the foregoing factors, net income increased by $22.2 million to $32.0 million for the year ended December 31, 2010 compared to $9.8 million for the year ended December 31, 2009.

*Results of Operations*

The following table sets forth our historical financial data for the years ended December 31, 2009 and 2008 (in millions):

| | Year ended | | | |
|---|---|---|---|---|
| | **December 31, 2009** | **December 31, 2008** | **Change** | **Percent Change** |
| Operating revenue | $ 417.4 | $ 474.4 | $ (57.0) | (12.0) % |
| Operating expenses: | | | | |
| Purchased transportation | 174.4 | 189.0 | (14.6) | (7.7) |
| Salaries, wages, and employee benefits | 118.8 | 116.5 | 2.3 | 2.0 |
| Operating leases | 27.3 | 24.4 | 2.9 | 11.9 |
| Depreciation and amortization | 19.7 | 16.6 | 3.1 | 18.7 |
| Insurance and claims | 9.7 | 8.1 | 1.6 | 19.8 |
| Fuel expense | 7.3 | 11.5 | (4.2) | (36.5) |
| Other operating expenses | 34.4 | 38.0 | (3.6) | (9.5) |
| Impairment of goodwill and other intangible assets | 7.2 | -- | 7.2 | 100.0 |
| Total operating expenses | 398.8 | 404.1 | (5.3) | (1.3) |
| Income from operations | 18.6 | 70.3 | (51.7) | (73.5) |
| Other income (expense): | | | | |
| Interest expense | (0.7) | (1.2) | 0.5 | (41.7) |
| Other, net | 0.1 | 0.3 | (0.2) | (66.7) |
| Total other expense income | (0.6) | (0.9) | 0.3 | (33.3) |
| Income before income taxes | 18.0 | 69.4 | (51.4) | (74.1) |
| Income taxes | 8.2 | 26.9 | (18.7) | (69.5) |
| Net income | $ 9.8 | $ 42.5 | $ (32.7) | (76.9) % |

The following table sets forth our historical financial data by segment for the years ended December 31, 2009 and 2008 (in millions):

| | Year ended | | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2009 | Percent of Revenue | December 31, 2008 | Percent of Revenue | Change | Percent Change |
| **Operating revenue** | | | | | | |
| Forward Air | $ 346.3 | 83.0% | $ 421.2 | 88.8% | $ (74.9) | (17.8) % |
| FASI | 72.5 | 17.4 | 55.3 | 11.6 | 17.2 | 31.1 |
| Intercompany Eliminations | (1.4) | (0.4) | (2.1) | (0.4) | 0.7 | (33.3) |
| **Total** | 417.4 | 100.0 | 474.4 | 100.0 | (57.0) | (12.0) |
| **Purchased transportation** | | | | | | |
| Forward Air | 160.3 | 46.3 | 179.9 | 42.7 | (19.6) | (10.9) |
| FASI | 15.4 | 21.2 | 11.2 | 20.2 | 4.2 | 37.5 |
| Intercompany Eliminations | (1.3) | 92.9 | (2.1) | 100.0 | 0.8 | (38.1) |
| **Total** | 174.4 | 41.8 | 189.0 | 39.9 | (14.6) | (7.7) |
| **Salaries, wages and employee benefits** | | | | | | |
| Forward Air | 85.7 | 24.7 | 92.5 | 22.0 | (6.8) | (7.4) |
| FASI | 33.1 | 45.6 | 24.0 | 43.4 | 9.1 | 37.9 |
| **Total** | 118.8 | 28.5 | 116.5 | 24.6 | 2.3 | 2.0 |
| **Operating leases** | | | | | | |
| Forward Air | 18.7 | 5.4 | 18.5 | 4.4 | 0.2 | 1.1 |
| FASI | 8.6 | 11.9 | 5.9 | 10.7 | 2.7 | 45.8 |
| **Total** | 27.3 | 6.5 | 24.4 | 5.1 | 2.9 | 11.9 |
| **Depreciation and amortization** | | | | | | |
| Forward Air | 16.1 | 4.6 | 14.4 | 3.4 | 1.7 | 11.8 |
| FASI | 3.6 | 5.0 | 2.2 | 4.0 | 1.4 | 63.6 |
| **Total** | 19.7 | 4.7 | 16.6 | 3.5 | 3.1 | 18.7 |
| **Insurance and claims** | | | | | | |
| Forward Air | 7.6 | 2.2 | 7.3 | 1.7 | 0.3 | 4.1 |
| FASI | 2.1 | 2.9 | 0.8 | 1.4 | 1.3 | 162.5 |
| **Total** | 9.7 | 2.3 | 8.1 | 1.7 | 1.6 | 19.8 |
| **Fuel expense** | | | | | | |
| Forward Air | 3.1 | 0.9 | 5.8 | 1.4 | (2.7) | (46.6) |
| FASI | 4.2 | 5.8 | 5.7 | 10.3 | (1.5) | (26.3) |
| **Total** | 7.3 | 1.8 | 11.5 | 2.4 | (4.2) | (36.5) |
| **Other operating expenses** | | | | | | |
| Forward Air | 27.7 | 8.0 | 32.1 | 7.6 | (4.4) | (13.7) |
| FASI | 6.8 | 9.4 | 5.9 | 10.7 | 0.9 | 15.3 |
| Intercompany Eliminations | (0.1) | 7.1 | -- | -- | (0.1) | 100.0 |
| **Total** | 34.4 | 8.3 | 38.0 | 8.0 | (3.6) | (9.5) |
| **Impairment of goodwill and other intangible assets** | | | | | | |
| Forward Air | 0.2 | 0.1 | -- | -- | 0.2 | 100.0 |
| FASI | 7.0 | 9.6 | -- | -- | 7.0 | 100.0 |
| **Total** | 7.2 | 1.7 | -- | -- | 7.2 | 100.0 |
| **Income (loss) from operations** | | | | | | |
| Forward Air | 26.9 | 7.8 | 70.7 | 16.8 | (43.8) | (62.0) |
| FASI | (8.3) | (11.4) | (0.4) | (0.7) | (7.9) | 1,975.0 |
| **Total** | $ 18.6 | 4.4% | $ 70.3 | 14.8% | $ (51.7) | (73.5) % |

The following table presents the components of the Forward Air segment's operating revenue and purchased transportation for the years ended December 31, 2009 and 2008 (in millions):

| | 2009 | Percent of Revenue | 2008 | Percent of Revenue | Change | Percent Change |
|---|---|---|---|---|---|---|
| **Forward Air revenue** | | | | | | |
| Airport-to-airport | $ 268.8 | 77.6% | $ 336.2 | 79.8% | $ (67.4) | (20.0) % |
| Logistics | 54.4 | 15.7 | 59.9 | 14.2 | (5.5) | (9.2) |
| Other | 23.1 | 6.7 | 25.1 | 6.0 | (2.0) | (8.0) |
| **Total** | $ 346.3 | 100.0 % | $ 421.2 | 100.0% | $ (74.9) | (17.8) % |
| **Forward Air purchased transportation** | | | | | | |
| Airport-to-airport | $ 112.8 | 42.0 % | $ 128.9 | 38.3% | $ (16.1) | (12.5) % |
| Logistics | 42.2 | 77.6 | 44.5 | 74.3 | (2.3) | (5.2) |
| Other | 5.3 | 22.9 | 6.5 | 25.9 | (1.2) | (18.5) |
| **Total** | $ 160.3 | 46.3% | $ 179.9 | 42.7% | $ (19.6) | (10.9) % |

*Year ended December 31, 2009 compared to Year ended December 31, 2008*

***Revenues***

Operating revenue decreased by $57.0 million, or 12.0%, to $417.4 million for the year ended December 31, 2009 from $474.4 million for the year ended December 31, 2008.

*Forward Air*

Forward Air operating revenue decreased $74.9 million, or 17.8%, to $346.3 million from $421.2 million, accounting for 83.0% of consolidated operating revenue for the year ended December 31, 2009. Airport-to-airport revenue, which is the largest component of our consolidated operating revenue, decreased $67.4 million, or 20.0%, to $268.8 million from $336.2 million, accounting for 77.6% of the segment's operating revenue during the year ended December 31, 2009 compared to 79.8% for the year ended December 31, 2008. A significant decrease in tonnage and a decrease in our base revenue per pound, excluding net fuel surcharge revenue and Forward Air Complete ("Complete") revenue, accounted for $55.2 million of the decline in airport-to-airport revenue. Our airport-to-airport business is priced on a per pound basis and the average revenue per pound, excluding the impact of fuel surcharges and Complete, decreased 3.0% for the year ended December 31, 2009 versus the year ended December 31, 2008. Tonnage that transited our network decreased by 16.7% during the year ended December 31, 2009 compared with the year ended December 31, 2008. The decrease in tonnage was primarily driven by the impact of the economic recession and the resulting reduction in shipping activity. Average base revenue per pound decreased due to the continued shift in revenue mix to shorter distance and lower price per pound routes as well as increased pricing competition brought on by 2009's difficult economic environment. The remaining decrease in airport-to-airport revenue is the result of reduced net fuel surcharge revenue offset by increased revenue from our Complete pick-up and delivery service. Net fuel surcharge revenue decreased $17.8 million during the year ended December 31, 2009 as compared to the year ended December 31, 2008 as a result of reduced average fuel prices as well as decreased overall business volumes. Partially offsetting these decreases was a $5.6 million increase in Complete revenue during the year ended December 31, 2009 compared to 2008. The increase in Complete revenue is attributable to an increased frequency of airport-to-airport shippers opting to utilize our Complete service.

Logistics revenue, which is primarily TLX and priced on a per mile basis, decreased $5.5 million, or 9.2%, to $54.4 million for the year ended December 31, 2009 from $59.9 million for the year ended December 31, 2008. TLX revenue decreased $4.4 million and 8.2% year over year as TLX average revenue per mile decreased approximately 8.2% in 2009 compared to 2008 while miles driven to support our TLX revenue remained consistent from 2008 to 2009. The decrease in average revenue per mile is mainly attributable to decreased fuel surcharges as a result of decreased fuel prices and reduced yields as a result of increased truckload price competition. The remaining decrease in logistics revenue was primarily driven by a $0.8 million, or 79.0%, decrease in dedicated fleet services, and a $0.3 million decrease in other non-mileage based logistic revenues. The decline in dedicated fleet services was attributable to loss of the primary customer. The decrease in non-mileage based services was in conjunction with the overall decline in TLX business volumes.

Other revenue, which includes warehousing services and terminal handling, accounts for the final component of Forward Air operating revenue. Other revenue decreased $2.0 million, or 8.0%, to $23.1 million during the year ended December 31, 2009 from $25.1 million during the year ended December 31, 2008. The decline in other revenue was primarily due to volume decreases in conjunction with the decline in our airport-to-airport business. These declines were partially offset by increases in dedicated pick-up and delivery services initiated during the fourth quarter of 2008.

*FASI*

FASI operating revenue increased $17.2 million, or 31.1%, to $72.5 million for the year ended December 31, 2009 from $55.3 million for the year ended December 31, 2008. The increase in revenue is the result of additional activity from the Pinch acquisition on March 17, 2008 and the Service Express acquisition on September 8, 2008 and new business wins which occurred throughout 2009. These increases were slightly offset by reduced fuel surcharge revenues as a result of declining fuel prices and reduced shipping volumes at pre-acquisition terminals resulting from the economic recession experienced throughout 2009.

*Intercompany Eliminations*

Intercompany eliminations decreased $0.7 million, or 33.3%, to $1.4 million during the year ended December 31, 2009 from $2.1 million during the year ended December 31, 2008. The intercompany eliminations are the result of truckload and airport-to-airport services Forward Air provided to FASI. FASI also provided cartage and station agent services to Forward Air. The decrease in intercompany eliminations was the result of reduced Forward Air truckload services provided to FASI.

***Purchased Transportation***

Purchased transportation decreased by $14.6 million, or 7.7%, to $174.4 million for the year ended December 31, 2009 from $189.0 million for the year ended December 31, 2008. As a percentage of total operating revenue, purchased transportation was 41.8% during the year ended December 31, 2009 compared to 39.9% for the year ended December 31, 2008.

*Forward Air*

Forward Air's purchased transportation decreased by $19.6 million, or 10.9%, to $160.3 million for the year ended December 31, 2009 from $179.9 million for the year ended December 31, 2008. The decrease in purchased transportation is primarily attributable to a decrease of approximately 14.4% in miles driven offset by a 3.0% increase in the total cost per mile for the year ended December 31, 2009 versus the year ended December 31, 2008. As a percentage of segment operating revenue, Forward Air purchased transportation was 46.3% during the year ended December 31, 2009 compared to 42.7% for the year ended December 31, 2008.

Purchased transportation costs for our airport-to-airport network decreased $16.1 million, or 12.5%, to $112.8 million for the year ended December 31, 2009 from $128.9 million for the year ended December 31, 2008. For the year ended December 31, 2009, purchased transportation for our airport-to-airport network increased to 42.0% of airport-to-airport revenue from 38.3% for the year ended December 31, 2008. The $16.1 million decrease is attributable to a 17.6% decrease in miles driven by our network of owner-operators or third party transportation providers offset by a 0.4% increase in cost per mile paid to our network of owner-operators or third party transportation providers. The reduction in miles decreased purchased transportation by $20.2 million while the increase in cost per mile increased purchased transportation $0.3 million. Miles driven by our network of owner-operators or third party transportation providers decreased in conjunction with the tonnage decline discussed above. Offsetting these decreases in airport-to-airport purchased transportation was a $3.8 million increase in expenses for third party transportation costs associated with the increased customer utilization of Complete.

Purchased transportation costs for our logistics revenue decreased $2.3 million, or 5.2%, to $42.2 million for the year ended December 31, 2009 from $44.5 million for the year ended December 31, 2008. For the year ended December 31, 2009, logistics' purchased transportation costs represented 77.6% of logistics revenue versus 74.3% for the year ended December 31, 2008. The decrease in logistics' purchased transportation was attributable to the $2.1 million, or 5.3%, decrease in TLX purchased transportation. Miles driven to support our TLX revenue remained consistent, decreasing less than 0.1%, but we reduced the cost per mile by approximately 5.2% during 2009 compared to 2008. The reduction in cost per mile was mostly attributable to the increased utilization of our less costly network of owner-operators and improved purchasing power given the increased availability of third party transportation providers. The remaining decrease in logistics' purchased transportation was driven by a $0.2 million decrease in transportation costs associated with dedicated fleet services. Logistics' purchased transportation increased as a percentage of revenue primarily due to the decline in yield per mile resulting from lower fuel surcharges and increased truckload pricing competition. During 2009, these decreases reduced our TLX yield per mile at a faster rate than we can reduce the related cost per mile.

Purchased transportation costs related to our other revenue decreased $1.2 million, or 18.5%, to $5.3 million for the year ended December 31, 2009 from $6.5 million for the year ended December 31, 2008. Other purchased transportation costs as a percentage of other revenue decreased to 22.9% of other revenue for the year ended December 31, 2009 from 25.9% for the year ended December 31, 2008. The improvement in other purchased transportation costs as a percentage of other revenue is attributable to the use of Company-employed drivers to provide the transportation services associated with certain dedicated pick-up and delivery services initiated during the fourth quarter of 2008. Further, due to the economic recession, we have ceased providing other ancillary services in circumstances in which the overall yield was insufficient.

*FASI*

FASI purchased transportation increased $4.2 million, or 37.5%, to $15.4 million for the year ended December 31, 2009 from $11.2 million for the year ended December 31, 2008. FASI purchased transportation as a percentage of revenue was 21.2% for the year ended December 31, 2009 compared to 20.2% for the year ended December 31, 2008. The increase in purchased transportation is mainly due to our continued expansion of the FASI business through the acquisitions of Pinch and Service Express in March 2008 and September 2008, respectively. The increase in purchased transportation as a percentage of revenue is attributable to increased utilization of owner-operators and third party transportation providers as opposed to Company-employed drivers, thereby shifting the cost from salaries, wages and benefits to purchased transportation. It is generally more cost effective to run an owner-operator than a Company-employed driver, and we continue to recruit owner-operators to use in our FASI operations.

*Intercompany Eliminations*

Intercompany eliminations decreased $0.8 million, or 38.1%, to $1.3 million for the year ended December 31, 2009 from $2.1 million for the year ended December 31, 2008. The intercompany eliminations are the result of truckload and airport-to-airport services Forward Air provided to FASI during the year end December 31, 2009. FASI also provided cartage and agent station services to Forward Air. The decrease in intercompany eliminations was the result of reduced Forward Air truckload services provided to FASI.

***Salaries, Wages, and Benefits***

Salaries, wages and employee benefits decreased $2.3 million, or 2.0%, to $118.8 million for the year ended December 31, 2009 from $116.5 million for the year ended December 31, 2008. As a percentage of total operating revenue, salaries, wages and employee benefits was 28.5% during 2009 compared to 24.6% in 2008.

*Forward Air*

Salaries, wages and employee benefits of Forward Air decreased by $6.8 million, or 7.4%, to $85.7 million for the year ended December 31, 2009 from $92.5 million for the year ended December 31, 2008. Salaries, wages and employee benefits were 24.7% of Forward Air's operating revenue for the year ended December 31, 2009 compared to 22.0% for the year ended December 31, 2008. The $6.8 million decrease in salaries, wages, and benefits was driven by our efforts to reduce personnel costs in conjunction with the overall decline in Forward Air revenue. Our efforts to reduce personnel costs focused largely on controlling airport-to-airport variable wages, such as dock personnel. Through these reductions we have reduced terminal related pay by approximately $5.9 million, or 14.3%. In addition, we reduced personnel costs associated with our sales force and various back-office functions by approximately $2.2 million, or 5.3%.

However, these decreases were partially offset by increases in workers' compensation claims, share-based compensation and employee incentives. Workers' compensation claims increased $0.9 million, or 50.4%, largely driven by adjustments to our loss development reserves based on actuary analyses of Forward Air's worker compensation claims experience. Share-based compensation increased $0.3 million, or 5.4%, due to the annual grants of stock options and non-vested shares of Common Stock ("non-vested shares") to key members of management and non-employee directors from 2006 to the present. Employee incentives increased $0.1 million, or 10.1%, for annual incentives for key employees and senior management.

During the fourth quarter of 2009, salaries, wages and employee benefits increased by $1.1 million as we increased incentive accruals for senior management and key employees. Comparatively, during the fourth quarter of 2008, we decreased salaries, wages and employee benefits by $1.5 million for incentives to key employees and senior management.

During 2009, we were not able to reduce the fixed components of our salaries and benefits, such as management pay, share-based compensation, and other related benefit costs at the same rate at which Forward Air revenue declined, and as a result salaries, wages, and benefits increased as a percentage of revenue.

*FASI*

Salaries, wages and employee benefits of FASI increased by $9.1 million, or 37.9%, to $33.1 million for the year ended December 31, 2009 from $24.0 million for the year ended December 31, 2008. As a percentage of FASI operating revenue, salaries, wages and benefits increased to 45.6% for the year ended December 31, 2009 compared to 43.4% for the year ended December 31, 2008. FASI salaries, wages and employee benefits are higher as a percentage of operating revenue than our Forward Air segment, as a larger percentage of the transportation services are performed by Company-employed drivers. The increase in salaries, wages and employee benefits as a percentage of revenue is attributable to increases in health insurance and workers' compensation costs, which increased to 5.2% of revenue during 2009 from 3.1% in 2008. The increases in health insurance and workers' compensation costs is the result of 2009 including a full year of claims associated with employees brought on with the Pinch and Service Express acquisitions. In addition, shared-based compensation and employee incentives increased $0.1 million, or increased 0.1% as a percentage of revenue, largely driven by increased stock option awards to key FASI employees during 2009.

***Operating Leases***

Operating leases increased by $2.9 million, or 11.9%, to $27.3 million for the year ended December 31, 2009 from $24.4 million in the year ended December 31, 2008. Operating leases, the largest component of which is facility rent, were 6.5% of consolidated operating revenue for the year ended December 31, 2009 compared with 5.1% for the year ended December 31, 2008.

*Forward Air*

Operating leases increased $0.2 million, or 1.1%, to $18.7 million for the year ended December 31, 2009 from $18.5 million for the year ended December 31, 2008. Operating leases were 5.4% of Forward Air's operating revenue for the year ended December 31, 2009 compared with 4.4% for the year ended December 31, 2008. The increase in operating leases in total dollars was attributable to a $0.4 million, or 2.2%, increase in facility rent expense associated with the assumption of additional facilities as a result of the Pinch acquisition and the expansion of certain facilities. The increase in facility rent was offset by a $0.2 million, or 18.1%, decrease in tractor leases. The decrease in tractor leases was the result of a reduction in leased vehicles assumed in conjunction with the Pinch acquisition as such leases expired.

*FASI*

Operating leases increased $2.7 million, or 45.8%, to $8.6 million for the year ended December 31, 2009 from $5.9 million for the year ended December 31, 2008. Operating leases were 11.9% of FASI operating revenue for the year ended December 31, 2009 compared with 10.7% for the year ended December 31, 2008. Approximately $2.5 million of the increase was attributable to higher facility rent expense due to the increased number of terminals resulting from the Pinch and Service Express acquisitions. Operating leases also increased $0.2 million for trailer, tractor, and straight truck leases assumed in conjunction with the acquisitions of Pinch and Service Express.

***Depreciation and Amortization***

Depreciation and amortization increased $3.1 million, or 18.7%, to $19.7 million for the year ended December 31, 2009 from $16.6 million for the year ended December 31, 2008. Depreciation and amortization was 4.7% of consolidated operating revenue for the year ended December 31, 2009 compared with 3.5% for the year ended December 31, 2008.

*Forward Air*

Depreciation and amortization increased $1.7 million, or 11.8%, to $16.1 million for the year ended December 31, 2009 from $14.4 million for the year ended December 31, 2008. Depreciation and amortization expense as a percentage of Forward Air operating revenue was 4.6% in the year ended December 31, 2009 compared to 3.4% for the year ended December 31, 2008. The increase in depreciation and amortization expense is attributable to increased depreciation on our new regional hub facility, recent trailer purchases, terminal and facility leasehold improvements, and software and computer equipment. Trailer depreciation increased $0.4 million due to new trailers placed in service during the fourth quarter of 2008. Other depreciation increased $1.3 million as a result of depreciation on our new regional hub in Dallas/Fort Worth, capital expenditures for improvements to other new or expanded facilities and for capital expenditures required to assimilate equipment, terminals and office facilities obtained through our recent acquisitions into our network.

*FASI*

Depreciation and amortization increased $1.4 million, or 63.6%, to $3.6 million for the year ended December 31, 2009 from $2.2 million for the year ended December 31, 2008. Depreciation and amortization expense as a percentage of FASI operating revenue was 5.0% for the year ended December 31, 2009 compared to 4.0% for the year ended December 31, 2008. Depreciation on tractors and trailers obtained in conjunction with our acquisitions of Pinch and Service Express accounted for $0.5 million of the increase in depreciation and amortization. Amortization of intangible assets also increased $0.3 million due to intangible assets acquired with the Pinch and Service Express acquisitions. The remaining $0.6 million increase was attributable to amortization of FASTRACS, our internally developed software utilized in FASI's operation, depreciation on terminal improvements such as conveyors, security systems and office improvements and depreciation on non-rolling stock assets acquired with the Pinch and Service Express acquisitions.

***Insurance and Claims***

Insurance and claims expense increased $1.6 million, or 19.8%, to $9.7 million for the year ended December 31, 2009 from $8.1 million for the year ended December 31, 2008. Insurance and claims was 2.3% of consolidated operating revenue during 2009 compared with 1.7% in 2008.

*Forward Air*

Forward Air insurance and claims expense increased $0.3 million, or 4.1%, to $7.6 million for the year ended December 31, 2009 from $7.3 million for the year ended December 31, 2008. Insurance and claims as a percentage of Forward Air's operating revenue was 2.2% in the year ended December 31, 2009 compared to 1.7% for the year ended December 31, 2008. The increase is the result of increases in our loss development reserves and the fees associated with investigation and defense of our vehicle liability. Adjustments to our loss development reserves for vehicle accidents increased by approximately $0.5 million during the year ended December 31, 2009 compared to year ended December 31, 2008. These increases were based on actuarial analyses of Forward Air's vehicle accident claim experience performed during 2009. Additionally, professional fees associated with investigation and defense of our vehicle liability increased $0.3 million during 2009 compared to 2008. These increases were offset by a $0.4 million and a $0.1 million decrease in vehicle accident damages and cargo claims, respectively. These decreases were the result of the reduced shipping activity discussed above.

*FASI*

FASI insurance and claims increased $1.3 million to $2.1 million for the year ended December 31, 2009 from $0.8 million for the year ended December 31, 2008. As a percentage of operating revenue, insurance and claims was 2.9% for the year ended December 31, 2009 compared to 1.4% for the year ended December 31, 2008. The $1.3 million increase in insurance and claims is primarily attributable to a $1.1 million increase in cargo claims and a $0.2 million increase in insurance premiums and vehicle claims for the year ended December 31, 2009 compared to the year ended December 31, 2008. The increase in both is primarily attributable to the increased shipping activity and claims experience associated with our recent acquisitions.

***Fuel Expense***

Fuel expense decreased $4.2 million, or 36.5%, to $7.3 million in the year ended December 31, 2009 from $11.5 million in the year ended December 31, 2008. Fuel expense was 1.8% of consolidated operating revenue for the year ended December 31, 2009 compared with 2.4% for the year ended December 31, 2008.

*Forward Air*

Forward Air fuel expense decreased $2.7 million, or 46.6%, to $3.1 million for the year ended December 31, 2009 from $5.8 million in the year ended December 31, 2008. Fuel expense was 0.9% of Forward Air's operating revenue for the year ended December 31, 2009 compared to 1.4% for the year ended December 31, 2008. The decrease was primarily due to the significant reduction in average fuel prices and the year over year decline in business volumes discussed above.

*FASI*

FASI fuel expense decreased $1.5 million, or 26.3%, to $4.2 million for the year ended December 31, 2009 from $5.7 million for the year ended December 31, 2008. Fuel expenses were 5.8% of FASI operating revenue during the year ended December 31, 2009 compared to 10.3% for the year ended December 31, 2008. FASI fuel expense is significantly higher as a percentage of operating revenue than Forward Air's fuel expense, as FASI utilizes a higher ratio of Company-employed drivers and Company-owned or leased vehicles in its operations than Forward Air. The decrease in fuel expense was primarily due to the significant reduction in average fuel prices during 2009 as compared to 2008 offset by increased activity as a result of the Pinch and Service Express acquisitions.

***Other Operating Expenses***

Other operating expenses decreased $3.6 million, or 9.5%, to $34.4 million for the year ended December 31, 2009 from $38.0 million for the year ended December 31, 2008. Other operating expenses were 8.3% of consolidated operating revenue for the year ended December 31, 2009 compared with 8.0% for the year ended December 31, 2008.

*Forward Air*

Forward Air other operating expenses decreased $4.4 million, or 13.7%, to $27.7 million for the year ended December 31, 2009 from $32.1 million for the year ended December 31, 2008. Forward Air other operating expenses were 8.0% of operating revenue for the year ended December 31, 2009 compared to 7.6% for the year ended December 31, 2008. The increase as a percentage of revenue is the result of expenses not decreasing at the same rate as revenue. Volume related expenses such as tires, dock supplies, maintenance and agent station fees decreased $5.5 million, or 23.1%, in 2009 compared to 2008. However, these decreases were partially offset by a $1.1 million increase in property and other taxes largely associated with our Company-owned terminals. The $1.1 million increase in property and other taxes is partially attributable to other operating expenses for 2008 including a $0.2 million reduction related to the reversal of previous accruals for fines and penalties associated with the settlement of a dispute with a state taxing authority. The dispute was settled with the state taxing authority during the third quarter of 2008 for less than the amount previously reserved.

*FASI*

FASI other operating expenses increased $0.9 million, or 15.3%, to $6.8 million for the year ended December 31, 2009 compared to $5.9 million for the year ended December 31, 2008. FASI other operating expenses were 9.4% of operating revenue for the year ended December 31, 2009 compared to 10.7% for the year ended December 31, 2008. The increase is attributable to increased volume related expenses, such as dock supplies, tires, and vehicle maintenance. The increase in the volume related expenses was directly related to the increased revenue activity associated with the acquisitions of Pinch and Service Express. The decrease as a percentage of revenue is attributable to the increase in revenue outpacing the increase in other operating expenses.

*Intercompany Eliminations*

Intercompany eliminations were $0.1 million during the year ended December 31, 2009. The intercompany eliminations are for agent station services FASI provided to Forward Air during the year ended December 31, 2009. FASI did not provide agent station services to Forward Air during 2008.

***Impairment of Goodwill and Other Intangible Assets***

Impairment of goodwill and other intangible assets was $7.2 million during the year ended December 31, 2009. Impairment of goodwill was 1.7% of consolidated operating revenue for year ended December 31, 2009.

*Forward Air*

Impairment of goodwill and other intangible assets was $0.2 million, or 0.1%, of Forward Air operating revenue, during the year ended December 31, 2009. During the year ended December 31, 2009, Forward Air recorded a $0.2 million charge to write off the net book value of certain truckload and cargo handling customer relationships that had been discontinued during 2009.

*FASI*

During the first quarter of 2009, we determined there were indicators of potential impairment of the goodwill assigned to the FASI segment. This determination was made based on the continuing economic recession, declines in current market valuations and FASI operating losses in excess of expectations. As a result, we performed an interim impairment test as of March 31, 2009. Based on the results of the impairment test, we recorded a non-cash goodwill impairment charge of $7.0 million related to the FASI segment during 2009.

***Income from Operations***

Income from operations decreased by $51.7 million, or 73.5%, to $18.6 million for the year ended December 31, 2009 compared with $70.3 million for the year ended December 31, 2008. Income from operations was 4.4% of consolidated operating revenue for the year ended December 31, 2009 compared with 14.8% for the year ended December 31, 2008.

*Forward Air*

Income from operations decreased by $43.8 million, or 62.0%, to $26.9 million for the year ended December 31, 2009 compared with $70.7 million for the year ended December 31, 2008. Forward Air's income from operations was 7.8% of operating revenue for the year ended December 31, 2009 compared with 16.8% for the year ended December 31, 2008. The decrease in income from operations was primarily the result of the decreased transportation and net fuel surcharge revenues discussed above and our inability during 2009 to reduce expenses at the same pace as the decline in total revenues.

*FASI*

FASI loss from operations increased approximately $7.9 million to a $8.3 million loss from operations for the year ended December 31, 2009 from a loss from operations of $0.4 million for the year ended December 31, 2008. FASI loss from operations was 11.4% of operating revenue for the year ended December 31, 2009 compared with 0.7% for the year ended December 31, 2008. The increase in FASI's loss from operations was primarily driven by the $7.0 million non-cash, goodwill impairment charge. Also driving the increase in the operating loss was the lower than projected business volumes.

***Interest Expense***

Interest expense decreased approximately $0.5 million, or 41.7%, to $0.7 million for the year ended December 31, 2009 compared to $1.2 million for year ended December 31, 2008. The decrease in interest expense was the result of the decline in the average interest rate on net borrowings of our senior credit facility.

***Other Income, Net***

Other, net was income of $0.1 million for the year ended December 31, 2009 compared with income of $0.3 million for the year ended December 31, 2008. The decrease in other income was attributable to decreased average cash and investment balances as well as lower returns received on cash invested driven by the decline in short term interest rates.

***Provision for Income Taxes***

The combined federal and state effective tax rate for the year ended December 31, 2009 was 45.3% compared to a rate of 38.7% for the year ended December 31, 2008. The increase in our effective tax rate is primarily attributable to the decline in our income before income taxes combined with an increase in share-based compensation on incentive stock options. The share-based compensation for incentive stock options is mostly not deductible for income tax reporting. Also, increasing the effective tax rate was the establishment of a $0.2 million valuation allowance on FASI's net state deferred tax assets and a $0.2 million reserve for a state income tax contingency.

The effective rate for the year ended December 31, 2008 was reduced by a $0.3 million decrease in state income tax expense, net of federal benefit, for the settlement of a dispute with a state taxing authority. The dispute was settled with the state taxing authority during the third quarter of 2008 for less than the amount previously reserved.

***Net Income***

As a result of the foregoing factors, net income decreased by $32.7 million, or 76.9%, to $9.8 million for the year ended December 31, 2009 compared to $42.5 million for the year ended December 31, 2008.

***Discussion of Critical Accounting Policies***

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

*Allowance for Doubtful Accounts*

We evaluate the collectibility of our accounts receivable based on a combination of factors. In circumstances in which management is aware of a specific customer's inability to meet its financial obligations to us (for example, bankruptcy filings or accounts turned over for collection or litigation), we record a specific reserve for these bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize 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 Forward Air and 25.0% for FASI. If circumstances change (i.e., we experience higher than expected defaults or an unexpected material adverse change in a customer's ability to meet its financial obligations to us), the estimates of the recoverability of amounts due to us could be changed by a material amount. Accounts are written off after all means of collection, including legal action, have been exhausted.

*Allowance for Revenue Adjustments*

Our allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments generally arise: (i) when the sales department contemporaneously grants small rate changes ("spot quotes") to customers that differ from the standard rates in the system; (ii) when freight requires dimensionalization or is reweighed resulting in a different required rate; (iii) when billing errors occur; and (iv) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. We monitor the manual revenue adjustments closely through the employment of various controls that are in place to ensure that revenue recognition is not compromised and that fraud does not occur. During 2010, average revenue adjustments per month were approximately $0.1 million, on average revenue per month of approximately $40.3 million (less than 1.0% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, we prepare an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, we establish an allowance for approximately 40-80 days (dependent upon experience in the preceding twelve months) of average revenue adjustments, adjusted for rebates and billing errors. The lag is periodically adjusted based on actual historical experience. Additionally, the average amount of revenue adjustments per month can vary in relation to the level of sales or based on other factors (such as personnel issues that could result in excessive manual errors or in excessive spot quotes being granted). Both of these significant assumptions are continually evaluated for validity.

*Self-Insurance Loss Reserves*

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

*Revenue Recognition*

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

*Income Taxes*

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

At December 31, 2010, we had state net operating loss carryforwards of $10.1 million that will expire between 2013 and 2026. 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 will not generate sufficient taxable income to realize the net operating loss benefits for $6.5 million in state loss carryforwards. As a result, a valuation allowance has been provided for $6.5 million of the state loss carryforwards. The valuation allowance on these certain state loss carryforwards was approximately $0.3 million at December 31, 2009 and was unchanged during 2010.

We have also established a valuation allowance of approximately $0.1 million on the state portion of FASI's net deferred tax assets. This valuation allowance was established based on expectations of future taxable income as management believes that it is more likely than not that the results of FASI operations will not generate sufficient taxable income to realize the state benefit of the net deferred tax assets. Due to a reduction in FASI net deferred tax assets, this valuation allowance was reduced from approximately $0.2 million at December 31, 2009.

*Valuation of Goodwill*

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

We calculate the fair value of the applicable reportable segments, using a combination of discounted projected cash flows and market valuations as of the valuation date for comparable companies. Changes in strategy or market conditions could significantly impact the judgments and assumptions made in the fair value calculations and require adjustments to recorded asset balances. The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. Our fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Codification.

For example, during the first quarter of 2009, we determined there were indicators of potential impairment of the goodwill assigned to the FASI segment. This determination was based on the continuing economic recession, declines in current market valuations and FASI operating losses in excess of expectations. As a result, we performed an interim impairment test in accordance with our accounting policy discussed above as of March 31, 2009. Based on the results of the interim impairment test, we concluded that an impairment loss was probable and could be reasonably estimated. Consequently, we recorded a non-cash goodwill impairment charge of $7.0 million related to the FASI segment during the first quarter of 2009.

*Share-Based Compensation*

Our general practice has been to make a single annual grant to key employees and to generally make other grants only in connection with new employment or promotions. In addition, we make annual grants to non-employee directors in conjunction with their annual election to our Board of Directors or at the time of their appointment to the Board of Directors. During the year ended December 31, 2006, we granted non-vested shares to key employees, but returned to granting stock options during the year ended December 31, 2007. For non-employee directors, we have granted non-vested shares annually beginning in 2006.

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

| | December 31, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Expected dividend yield | 1.3% | 0.9% | 0.8% |
| Expected stock price volatility | 45.7% | 42.3% | 35.2% |
| Weighted average risk-free interest rate | 2.5% | 2.0% | 2.8% |
| Expected life of options (years) | 4.5 | 4.5 | 4.5 |

The fair value of non-vested shares issued were estimated using the closing market prices for the business day of the grant. The share-based compensation for the non-vested shares is recognized, net of estimated forfeitures, ratably over the requisite service period or vesting period. Forfeitures are estimated based on our historical experience, but will be adjusted for future changes in forfeiture experience.

Under the ESPP, which has been approved by our shareholders, we are authorized to issue shares of Common Stock to our employees. These shares may be issued at a price equal to 90.0% of the lesser of the market value on the first day or the last day of each six-month purchase period. Common Stock purchases are paid for through periodic payroll deductions and/or up to two large lump sum contributions. We recognize share-based compensation on the date of purchase based on the difference between the purchase date fair market value and the employee purchase price.

*Operating Leases*

Certain operating leases include rent increases during the initial lease term. For these leases, we recognize the related rental expenses on a straight-line basis over the term of the lease, which includes any rent holiday period, and records the difference between the amounts charged to operations and amount paid as rent as a rent liability. Leasehold improvements are amortized over the shorter of the estimated useful life or the initial term of the lease.

*Impact of Recent Accounting Pronouncements*

In January 2010, the Financial Accounting Standards Board ("the FASB") expanded the disclosure requirements for fair value measurements. The expanded disclosures will require a greater level of disaggregated information and additional disclosures about valuation techniques and inputs to fair value measurements. The amendment will require expanded disclosures on transfers in and out of Level 1 and Level 2 fair values, activity in Level 3 investments and inputs and valuation techniques. The new disclosure requirements and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure requirements involving activity in Level 3 fair value measurements. Those disclosure requirements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the provisions of this amendment required in the first interim period after December 15, 2009 did not have a material impact on our financial statement disclosures. In addition, the adoption of the provisions of this amendment required for periods beginning after December 15, 2010 is not expected to have a material impact on our financial statement disclosures.

In June 2009, the FASB amended rules regarding the transfer and servicing of financial assets and the extinguishment of financial assets. The amended guidance eliminates the concept of a qualifying special-purpose entity ("QSPE"); clarifies and amends the derecognition criteria for a transfer to be accounted for as a sale; amends and clarifies the unit of account eligible for sale accounting; and requires that a transferor initially be measured at fair value and recognize all assets obtained (for example beneficial interests) and liabilities incurred as a result of a transfer of an entire financial asset or group of financial assets accounted for as a sale. Additionally, on and after the effective date of the amended guidance, existing QSPEs (as defined under previous accounting standards) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance. The amended guidance requires enhanced disclosures about, among other things, a transferor's continuing involvement with transfers of financial assets accounted for as sales, the risks inherent in the transferred financial assets that have been retained, and the nature and financial effect of restrictions on the transferor's assets that continue to be reported in the statement of financial position. Our adoption of the amended guidance on January 1, 2010, did not have a significant impact on our financial position, results of operations and cash flows.

In June 2009, the FASB amended its rules regarding the consolidation of variable interest entities ("VIE"). The FASB also amended the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, FASB rules required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. QSPEs, which were previously exempt from the application of rules regarding VIE, will be subject to the provisions of these new rules when they become effective. The amended guidance also requires enhanced disclosures about an enterprise's involvement with a VIE. We adopted the amended guidance on January 1, 2010, and this adoption did not have a significant impact on our financial position, results of operations and cash flows.

***Liquidity and Capital Resources***

We have historically financed our working capital needs, including capital expenditures, with cash flows from operations and borrowings under our bank lines of credit. Net cash provided by operating activities totaled approximately $54.0 million for the year ended December 31, 2010 compared to approximately $50.2 million for the year ended December 31, 2009. The increase in cash provided by operating activities is mainly attributable to a $19.4 million increase in net earnings after consideration of non-cash items offset by a $7.7 million reduction in cash provided by accounts receivable and a $7.9 million increase in cash used to fund other assets. The decrease in cash from accounts receivable is largely attributable to the increase in business volumes during the year ended December 31, 2010, resulting in revenues that will not be collected until early 2011. The increase in cash used to fund other assets is largely attributable to increased estimated income tax payments in conjunction with the increase in earnings before income taxes.

Net cash used in investing activities was approximately $13.9 million for the year ended December 31, 2010 compared with approximately $20.2 million used in investing activities during the year ended December 31, 2009. Investing activities during the year ended December 31, 2010 consisted primarily of capital expenditures for new tractors, trailers and vehicles to replace aging units. The $1.5 million of proceeds from disposal of property and equipment includes approximately $1.3 million of cash received from a lessor as part of final settlement on the terminated capital lease discussed previously. Cash used for investing activities during the year ended December 31, 2009 included capital expenditures primarily for the Dallas/Fort Worth regional hub that was completed at the beginning of the third quarter of 2009.

Net cash used in financing activities totaled approximately $7.6 million for the year ended December 31, 2010 compared with approximately $10.0 million used in financing activities during the year ended December 31, 2009. Cash used in financing activities for the years ended December 31, 2010 and 2009 mainly included our quarterly dividend payments and scheduled capital lease payments. The reduction in cash used for financing activities is attributable to reduced capital lease and debt payments and increased proceeds from stock option exercises. Capital lease and debt payments decreased as certain capital leases and notes payable assumed with past acquisitions reached their scheduled maturity dates.

We currently have access to a $100.0 million senior credit facility. The facility expires in October 2012 and includes an accordion feature, which if approved by our lender, allows for an additional $50.0 million in borrowings. However, at this time we believe that to access the accordion feature our lender would require that the interest rates for the senior credit facility be reset to match current market rates. Interest rates for advances under the senior credit facility are at LIBOR plus 0.6% to 0.9% based upon covenants related to total indebtedness to earnings. At December 31, 2010, we had $38.3 million of available borrowing capacity under the senior credit facility, not including the accordion feature, and had utilized $11.7 million of availability for outstanding letters of credit.

On July 31, 2007, our Board of Directors approved an additional stock repurchase program for up to two million shares of our Common Stock (the "2007 Repurchase Plan"). No shares were repurchased during the years ended December 31, 2010, 2009 and 2008. As of December 31, 2010, 1,788,827 shares remained eligible for repurchase under the 2007 Repurchase Plan.

During each quarter of 2010, 2009 and 2008, cash dividends of $0.07 per share were declared on Common Stock outstanding. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by our Board of Directors.

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

*Off-Balance Sheet Arrangements*

At December 31, 2010, we had letters of credit outstanding from banks totaling $11.7 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, 2010 (in thousands) are summarized below:

| **Contractual Obligations** | **Payment Due Period** | | | | |
|---|---|---|---|---|---|
| | **Total** | **2011** | **2012-2013** | **2014-2015** | **2016 and Thereafter** |
| Capital lease obligations | $ 1,624 | $ 705 | $ 871 | $ 48 | $ -- |
| Equipment purchase commitments | 14,211 | 14,211 | -- | -- | -- |
| Operating leases | 87,793 | 20,566 | 31,518 | 21,825 | 13,884 |
| Senior credit facility | 50,000 | -- | 50,000 | -- | -- |
| Total contractual cash obligations | $ 153,628 | $ 35,482 | $ 82,389 | $ 21,873 | $ 13,884 |

Not included in the above table are reserves for unrecognized tax benefits and for self insurance claims of $0.9 million and $10.6 million, respectively.

*Forward-Looking Statements*

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

**Item 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 credit facility. The senior credit facility, which represents an aggregate principal amount of $50.0 million at December 31, 2010, bears interest at variable rates. Based on our outstanding borrowings at December 31, 2010, a hypothetical increase in our senior credit facility borrowing rate of 150 basis points, or an increase in the total effective interest rate from 0.9% to 2.4%, would increase our annual interest expense by approximately $0.8 million and would have decreased our annual cash flow from operations by approximately $0.8 million. Under our senior credit facility our interest rate has been consistently below market rates and our interest rate risk is not considered material.

Our only other debt is capital lease obligations totaling $1.5 million. These lease obligations all bear interest at a fixed rate. Accordingly, there is no exposure to market risk related to these capital lease obligations.

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

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

**Item 8. Financial Statements and Supplementary Data**

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

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

None.

**Item 9A. Controls and Procedures**

*Disclosure Controls and Procedures*

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2010. 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 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, 2010. 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*. Based on our assessment, we have concluded, as of December 31, 2010, 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, 2010, has issued an attestation report on the Company's internal control over financial reporting.

*Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the fourth quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Forward Air Corporation

We have audited Forward Air Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Forward Air Corporation'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Forward Air Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Forward Air Corporation as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010, of Forward Air Corporation and our report dated February 24, 2011, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 24, 2011

### Item 9B. Other Information

Not applicable.

## Part III

### Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to our directors is incorporated herein by reference to our proxy statement for the 2011 Annual Meeting of Shareholders (the “2010 Proxy Statement”). The 2011 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2010.

Pursuant to Item 401(b) of Regulation S-K, the information required by this item with respect to our executive officers is set forth in Part I of this report.

### Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2011 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 2011 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 2011 Proxy Statement.

### Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2011 Proxy Statement.

## Part IV

### Item 15. Exhibits, Financial Statement Schedules

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

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

(a)(3) List of Exhibits.

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

(b) Exhibits.

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

(c) Financial Statement Schedules.

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

## SIGNATURES

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

Forward Air Corporation

Date: February 24, 2011

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

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

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

| Signature | Title | Date |
| --- | --- | --- |
| /s/ Bruce A. Campbell<br>Bruce A. Campbell | Chairman, President and Chief Executive Officer (Principal Executive Officer) | February 24, 2011 |
| /s/ Rodney L. Bell<br>Rodney L. Bell | Chief Financial Officer, Senior Vice President and Treasurer ( Principal Financial Officer) | February 24, 2011 |
| /s/ Michael P. McLean<br>Michael P. McLean | Chief Accounting Officer, Vice President and Controller (Principal Accounting Officer) | February 24, 2011 |
| /s/ G. Michael Lynch<br>G. Michael Lynch | Lead Director | February 24, 2011 |
| /s/ Ron W. Allen<br>Ron W. Allen | Director | February 24, 2011 |
| /s/ C. Robert Campbell<br>C. Robert Campbell | Director | February 24, 2011 |
| /s/ Richard W. Hanselman<br>Richard W. Hanselman | Director | February 24, 2011 |
| /s/ C. John Langley, Jr.<br>C. John Langley, Jr. | Director | February 24, 2011 |
| /s/ Tracy A. Leinbach<br>Tracy A. Leinbach | Director | February 24, 2011 |
| /s/ Larry D. Leinweber<br>Larry D. Leinweber | Director | February 24, 2011 |
| /s/ Ray A. Mundy<br>Ray A. Mundy | Director | February 24, 2011 |
| /s/ Gary L. Paxton<br>Gary L. Paxton | Director | February 24, 2011 |

**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, 2010**

**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:



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



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**

The Board of Directors and Shareholders of Forward Air Corporation

We have audited the accompanying consolidated balance sheets of Forward Air Corporation as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Forward Air Corporation at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Forward Air Corporation’s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 24, 2011

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

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 74,504 | $ 42,035 |
| Accounts receivable, less allowance of $1,996 in 2010 and $1,919 in 2009 | 62,763 | 55,720 |
| Inventories | 830 | 938 |
| Prepaid expenses and other current assets | 5,717 | 5,272 |
| Deferred income taxes | 2,149 | 3,261 |
| Total current assets | 145,963 | 107,226 |
| | | |
| Property and equipment: | | |
| Land | 16,928 | 16,928 |
| Buildings | 65,433 | 68,444 |
| Equipment | 123,989 | 111,728 |
| Leasehold improvements | 5,907 | 5,243 |
| Construction in progress | 1,447 | 2,373 |
| Total property and equipment | 213,704 | 204,716 |
| Less accumulated depreciation and amortization | 87,272 | 75,990 |
| Net property and equipment | 126,432 | 128,726 |
| Goodwill and other acquired intangibles: | | |
| Goodwill | 43,332 | 43,332 |
| Other acquired intangibles, net of accumulated amortization of $16,871 in 2010 and $12,281 in 2009 | 31,259 | 35,849 |
| Total net goodwill and other acquired intangibles | 74,591 | 79,181 |
| Other assets | 1,810 | 1,597 |
| Total assets | $ 348,796 | $ 316,730 |

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

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

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 10,687 | $ 10,333 |
| Accrued payroll and related items | 5,858 | 5,394 |
| Insurance and claims accruals | 5,647 | 5,622 |
| Payables to owner-operators | 3,674 | 3,603 |
| Collections on behalf of customers | 430 | 697 |
| Other accrued expenses | 671 | 1,791 |
| Income taxes payable | -- | 1,424 |
| Current portion of capital lease obligations | 638 | 898 |
| Current portion of long-term debt | -- | 21 |
| Total current liabilities | 27,605 | 29,783 |
| | | |
| Capital lease obligations, less current portion | 883 | 2,169 |
| Long-term debt, less current portion | 50,000 | 50,000 |
| Other long-term liabilities | 8,106 | 4,485 |
| Deferred income taxes | 6,116 | 5,786 |
| Commitments and contingencies (Note 9) | | |
| | | |
| Shareholders' equity: | | |
| Preferred stock, $0.01 par value | | |
| Authorized shares - 5,000,000 | | |
| No shares issued | -- | -- |
| Common stock, $0.01 par value | | |
| Authorized shares – 50,000,000 | | |
| Issued and outstanding shares – 29,030,919 in 2010 and 28,950,391 in 2009 | 290 | 290 |
| Additional paid-in capital | 24,300 | 16,631 |
| Retained earnings | 231,496 | 207,586 |
| Total shareholders' equity | 256,086 | 224,507 |
| Total liabilities and shareholders' equity | $ 348,796 | $ 316,730 |

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

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

| | Year ended December 31, 2010 | Year ended December 31, 2009 | Year ended December 31, 2008 |
|---|---|---|---|
| **Operating revenue:** | | | |
| Forward Air | | | |
| Airport-to-airport | $ 321,702 | $ 268,245 | $ 334,860 |
| Logistics | 64,935 | 54,067 | 59,290 |
| Other | 25,130 | 23,076 | 25,133 |
| Forward Air Solutions | | | |
| Pool distribution | 72,172 | 72,022 | 55,153 |
| Total operating revenue | 483,939 | 417,410 | 474,436 |
| | | | |
| **Operating expenses:** | | | |
| Purchased transportation | | | |
| Forward Air | | | |
| Airport-to-airport | 129,111 | 112,516 | 128,785 |
| Logistics | 50,225 | 42,188 | 44,560 |
| Other | 6,288 | 5,234 | 6,425 |
| Forward Air Solutions | | | |
| Pool distribution | 15,747 | 14,490 | 9,315 |
| Total purchased transportation | 201,371 | 174,428 | 189,085 |
| Salaries, wages and employee benefits | 129,108 | 118,804 | 116,504 |
| Operating leases | 26,252 | 27,294 | 24,403 |
| Depreciation and amortization | 20,450 | 19,722 | 16,615 |
| Insurance and claims | 8,425 | 9,719 | 8,099 |
| Fuel expense | 8,461 | 7,312 | 11,465 |
| Other operating expenses | 36,133 | 34,424 | 37,980 |
| Impairment of goodwill and other intangible assets | -- | 7,157 | -- |
| Total operating expenses | 430,200 | 398,860 | 404,151 |
| Income from operations | 53,739 | 18,550 | 70,285 |
| | | | |
| **Other income (expense):** | | | |
| Interest expense | (730) | (670) | (1,236) |
| Other, net | 90 | 69 | 362 |
| Total other expense | (640) | (601) | (874) |
| Income before income taxes | 53,099 | 17,949 | 69,411 |
| Income taxes | 21,063 | 8,147 | 26,869 |
| Net income | $ 32,036 | $ 9,802 | $ 42,542 |
| | | | |
| **Net income per share:** | | | |
| Basic | $ 1.11 | $ 0.34 | $ 1.48 |
| Diluted | $ 1.10 | $ 0.34 | $ 1.47 |
| **Weighted average shares outstanding:** | | | |
| Basic | 28,984 | 28,928 | 28,808 |
| Diluted | 29,111 | 28,993 | 29,025 |
| | | | |
| **Dividends per share:** | $ 0.28 | $ 0.28 | $ 0.28 |

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

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

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance at December 31, 2007 | 28,648 | $ 286 | $ -- | $ 171,447 | $ 171,733 |
| Net and comprehensive income for 2008 | -- | -- | -- | 42,542 | 42,542 |
| Exercise of stock options | 191 | 2 | 3,083 | -- | 3,085 |
| Common stock issued under employee stock purchase plan | 10 | -- | 255 | -- | 255 |
| Share-based compensation | -- | -- | 6,269 | (2) | 6,267 |
| Dividends ($0.28 per share) | -- | -- | 2 | (8,091) | (8,089) |
| Vesting of previously non-vested shares | 56 | 1 | (1) | -- | -- |
| Cash settlement of share-based awards for minimum tax withholdings | (11) | -- | (389) | -- | (389) |
| Income tax benefit from stock options exercised | -- | -- | 1,030 | -- | 1,030 |
| Balance at December 31, 2008 | 28,894 | 289 | 10,249 | 205,896 | 216,434 |
| Net and comprehensive income for 2009 | -- | -- | -- | 9,802 | 9,802 |
| Exercise of stock options | 1 | -- | 8 | -- | 8 |
| Common stock issued under employee stock purchase plan | 12 | -- | 237 | -- | 237 |
| Share-based compensation | -- | -- | 6,754 | -- | 6,754 |
| Dividends ($0.28 per share) | -- | -- | 3 | (8,112) | (8,109) |
| Vesting of previously non-vested shares | 56 | 1 | (1) | -- | -- |
| Cash settlement of share-based awards for minimum tax withholdings | (13) | -- | (249) | -- | (249) |
| Income tax expense from stock options exercised | -- | -- | (370) | -- | (370) |
| Balance at December 31, 2009 | 28,950 | 290 | 16,631 | 207,586 | 224,507 |
| Net and comprehensive income for 2010 | -- | -- | -- | 32,036 | 32,036 |
| Exercise of stock options | 46 | -- | 991 | -- | 991 |
| Common stock issued under employee stock purchase plan | 8 | -- | 195 | -- | 195 |
| Share-based compensation | -- | -- | 6,284 | -- | 6,284 |
| Dividends ($0.28 per share) | -- | -- | 5 | (8,126) | (8,121) |
| Vesting of previously non-vested shares | 27 | -- | -- | -- | -- |
| Income tax benefit from stock options exercised | -- | -- | 194 | -- | 194 |
| Balance at December 31, 2010 | 29,031 | $ 290 | $ 24,300 | $ 231,496 | $ 256,086 |

*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, 2010 | December 31, 2009 | December 31, 2008 |
| **Operating activities:** | | | |
| Net income | $ 32,036 | $ 9,802 | $ 42,542 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation and amortization | 20,450 | 19,722 | 16,615 |
| Impairment of goodwill and other intangible assets | -- | 7,157 | -- |
| Share-based compensation | 6,284 | 6,754 | 6,267 |
| (Gain) loss on disposal of property and equipment | (570) | (6) | 171 |
| Provision for (recovery) loss on receivables | (52) | (60) | 903 |
| Provision for revenue adjustments | 1,589 | 2,390 | 4,259 |
| Deferred income taxes | 1,436 | (4,581) | 1,151 |
| Tax (benefit) expense for stock options exercised | (194) | 370 | (1,030) |
| Changes in operating assets and liabilities, net of acquisitions | | | |
| Accounts receivable | (8,580) | (844) | (2,376) |
| Prepaid expenses and other current assets | (40) | 548 | (2,102) |
| Accounts payable and accrued expenses | 3,022 | 3,831 | (2,665) |
| Income taxes | (1,386) | 5,096 | (4,652) |
| Net cash provided by operating activities | 53,995 | 50,179 | 59,083 |
| | | | |
| **Investing activities:** | | | |
| Proceeds from disposal of property and equipment | 1,482 | 270 | 87 |
| Purchases of property and equipment | (15,148) | (20,847) | (26,699) |
| Acquisition of businesses | -- | -- | (29,566) |
| Other | (224) | 372 | (10) |
| Net cash used in investing activities | (13,890) | (20,205) | (56,188) |
| | | | |
| **Financing activities:** | | | |
| Payments of debt and capital lease obligations | (895) | (1,549) | (1,603) |
| Borrowings on line of credit | -- | -- | 45,000 |
| Payments on line of credit | -- | -- | (25,000) |
| Proceeds from exercise of stock options | 991 | 8 | 3,085 |
| Payments of cash dividends | (8,121) | (8,109) | (8,089) |
| Common stock issued under employee stock purchase plan | 195 | 237 | 255 |
| Cash settlement of share-based awards for minimum tax withholdings | -- | (249) | (389) |
| Tax benefit (expense) for stock options exercised | 194 | (370) | 1,030 |
| Net cash (used in) provided by financing activities | (7,636) | (10,032) | 14,289 |
| Net increase in cash | 32,469 | 19,942 | 17,184 |
| Cash at beginning of year | 42,035 | 22,093 | 4,909 |
| Cash at end of year | $ 74,504 | $ 42,035 | $ 22,093 |
| | | | |
| **Non-cash activity:** | | | |
| Unpaid capital expenditures included in accounts payable | $ -- | $ 234 | $ 1,640 |

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

## 1. Accounting Policies

### Basis of Presentation and Principles of Consolidation

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

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

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

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

### Use of Estimates

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

*Allowance for Doubtful Accounts*

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

*Allowance for Revenue Adjustments*

The Company's allowance for revenue adjustments consists of amounts reserved for billing rate changes that are not captured upon load initiation. These adjustments generally arise: (1) when the sales department contemporaneously grants small rate changes ("spot quotes") to customers that differ from the standard rates in the system; (2) when freight requires dimensionalization or is reweighed resulting in a different required rate; (3) when billing errors occur; and (4) when data entry errors occur. When appropriate, permanent rate changes are initiated and reflected in the system. The Company monitors the manual revenue adjustments closely through the employment of various controls that are in place to ensure that revenue recognition is not compromised and that fraud does not occur. During 2010, average revenue adjustments per month were approximately $138, on average revenue per month of approximately $40,328 (less than 1.0% 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 for approximately 40-80 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 validity.

**(In thousands, except share and per share data)**

**1. Accounting Policies (Continued)**

*Self-Insurance Loss Reserves*

Given the nature of the Company's operating environment, the Company is subject to vehicle and general liability, workers' compensation and health insurance claims. To mitigate a portion of these risks, the Company maintains insurance for individual vehicle and general liability claims exceeding $500 and workers' compensation claims and health insurance claims exceeding $250, except in Ohio, where for workers' compensation we are a qualified self-insured entity with a $350 self-insured retention. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that uses information obtained from both company-specific and industry data, as well as general economic information. The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and the Company's assumptions about the emerging trends, management develops information about the size of ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. Management also monitors the reasonableness of the judgments made in the prior year's estimation process (referred to as a hindsight analysis) and adjusts current year assumptions based on the hindsight analysis. Additionally, the Company utilizes actuarial analyses to evaluate open claims and estimate the ongoing development exposure.

**Revenue Recognition**

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

See discussions of concentrations of credit risk in Note 11.

**Cash and Cash Equivalents**

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

**Inventories**

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

Depreciation expense for each of the three years ended December 31, 2010, 2009 and 2008 was $15,860, $15,068 and $12,252, respectively.

**(In thousands, except share and per share data)**

**1. Accounting Policies (Continued)**

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

**Operating Leases**

Certain operating leases include rent increases during the initial lease term. For these leases, the Company recognizes the related rental expenses on a straight-line basis over the term of the lease, which includes any rent holiday period, and records the difference between the amounts charged to operations and amount paid as rent as a rent liability.

**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 reportable segment at June 30 of each year. Other intangible assets are amortized over their useful lives. Results of impairment testing are described in Note 3, Goodwill and Other Long-Lived Assets.

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

**Software Development**

Costs related to software developed or acquired for internal use are expensed or capitalized based on the applicable stage of software development and any capitalized costs are amortized over their estimated useful life. The Company typically uses a five-year straight line amortization for the capitalized amounts of software development costs. At December 31, 2010 and 2009 the Company had $7,443 and $6,112, respectively, of capitalized software development costs. Accumulated amortization on these assets was $3,889 and $2,588 at December 31, 2010 and 2009, respectively. Included in depreciation expense is amortization of capitalized software development costs. Amortization of capitalized software development for the years ended December 31, 2010, 2009 and 2008 was $1,301, $1,016 and $853, respectively. As of December 31, 2010 the estimated amortization expense for the next five years of capitalized software development costs is as follows:

| | | |
|---|---|---|
| 2011 | $ | 1,290 |
| 2012 | | 646 |
| 2013 | | 526 |
| 2014 | | 463 |
| 2015 | | 246 |
| Total | $ | 3,171 |

**Income Taxes**

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

**Net Income Per Share**

The Company calculates net income per share in accordance with the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, Earnings per Share (the "FASB Codification 260"). Under the FASB Codification 260, basic net income per share excludes any dilutive effects of options, warrants and convertible securities. Diluted net income per share includes any dilutive effects of options, warrants and convertible securities, and uses the treasury stock method in calculating dilution.

(In thousands, except share and per share data)

**1. Accounting Policies (Continued)**

**Comprehensive Income**

Comprehensive income includes any changes in the equity of the Company from transactions and other events and circumstances from non-operational sources. Unrealized gains and losses on available-for-sale securities are included in other comprehensive income for all years presented. Comprehensive income for the years ended December 31, 2010, 2009 and 2008 approximated net income.

**Share-Based Payments**

The Company's general practice has been to make a single annual grant of share-based compensation to key employees and to generally make other grants only in connection with new employment or promotions. In addition, the Company makes annual grants to non-employee directors in conjunction with their annual election to our Board of Directors or at the time of their appointment to the Board of Directors. During the year ended December 31, 2006, the Company granted non-vested shares of Common Stock ("non-vested shares") to key employees, but returned to granting stock options during the year ended December 31, 2007. For non-employee directors, the Company continued to issue non-vested shares during the years ended December 31, 2010, 2009 and 2008.

Stock options typically expire seven years from the grant date and vest ratably over a three-year period. The share-based compensation for these stock options and non-vested shares is recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. Based on the Company's historical experience, forfeitures have been estimated. The Company uses the Black-Scholes option-pricing model to estimate the grant-date fair value of options granted. The fair values of non-vested shares issued to employees and non-employee directors were estimated using closing market prices for the business day of the grant. The following table contains the weighted-average assumptions used to estimate the fair value of options granted. These assumptions are highly subjective and changes in these assumptions can materially affect the fair value estimate.

| | December 31, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Expected dividend yield | 1.3% | 0.9% | 0.8% |
| Expected stock price volatility | 45.7% | 42.3% | 35.2% |
| Weighted average risk-free interest rate | 2.5% | 2.0% | 2.8% |
| Expected life of options (years) | 4.5 | 4.5 | 4.5 |

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

**Recently Issued Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board ("the FASB") expanded the disclosure requirements for fair value measurements. The expanded disclosures will require a greater level of disaggregated information and additional disclosures about valuation techniques and inputs to fair value measurements. The amendment will require expanded disclosures on transfers in and out of Level 1 and Level 2 fair values, activity in Level 3 investments and inputs and valuation techniques. The new disclosure requirements and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure requirements involving activity in Level 3 fair value measurements. Those disclosure requirements are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the provisions of this amendment required in the first interim period after December 15, 2009 did not have a material impact on the Company's financial statement disclosures. In addition, the adoption of the provisions of this amendment required for periods beginning after December 15, 2010 is not expected to have a material impact on the Company's financial statement disclosures.

In June 2009, the FASB amended rules regarding the transfer and servicing of financial assets and the extinguishment of financial assets. The amended guidance eliminates the concept of a qualifying special-purpose entity ("QSPE"); clarifies and amends the derecognition criteria for a transfer to be accounted for as a sale; amends and clarifies the unit of account eligible for sale accounting; and requires that a transferor initially be measured at fair value and recognize all assets obtained (for example beneficial interests) and liabilities incurred as a result of a transfer of an entire financial asset or group of financial assets accounted for as a sale. Additionally, on and after the effective date of the amended guidance, existing QSPEs (as defined under previous accounting standards) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance. The amended guidance

(In thousands, except share and per share data)

**1. Accounting Policies (Continued)**

requires enhanced disclosures about, among other things, a transferor's continuing involvement with transfers of financial assets accounted for as sales, the risks inherent in the transferred financial assets that have been retained, and the nature and financial effect of restrictions on the transferor's assets that continue to be reported in the statement of financial position. The Company adopted the amended guidance on January 1, 2010, and this adoption did not have a significant impact on the Company's financial position, results of operations and cash flows.

In June 2009, the FASB amended its rules regarding the consolidation of variable interest entities ("VIE"). The FASB also amended the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, FASB rules required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. QSPEs, which were previously exempt from the application of rules regarding VIEs, will be subject to the provisions of these new rules when they become effective. The amended guidance also requires enhanced disclosures about an enterprise's involvement with a VIE. The Company adopted the amended guidance on January 1, 2010, and this adoption did not have a significant impact on the Company's financial position, results of operations and cash flows.

**2. Acquisition of Businesses**

On September 8, 2008, the Company acquired certain assets and liabilities of Service Express, Inc. ("Service Express"). Service Express was a privately-held provider of pool distribution services primarily in the Mid-Atlantic and Southeastern continental United States. Service Express generated approximately $39,000 (unaudited) in revenue during the year ended December 31, 2007. The acquisition of Service Express' pool distribution services expanded the geographic footprint of the FASI segment in the Mid-Atlantic and Southeastern United States. The purchased assets and liabilities and the results of operations of Service Express have been included in the consolidated financial statements since September 8, 2008. The aggregate purchase price of $10,647 as allocated per the following table was paid with the Company's available cash and borrowings from the Company's senior credit facility.

| | Service Express |
|---|---|
| Current assets | $ 258 |
| Property and equipment | 2,819 |
| Customer relationships | 6,000 |
| Goodwill | 5,204 |
| Total assets acquired | 14,281 |
| | |
| Current liabilities | 281 |
| Capital lease obligations | 3,353 |
| Total liabilities assumed | 3,634 |
| Net assets acquired | $ 10,647 |

On March 17, 2008, the Company acquired certain assets and liabilities of Pinch Holdings, Inc. and its related company AFTCO Enterprises, Inc. and certain of their respective wholly owned subsidiaries ("Pinch"). Pinch was a privately-held provider of pool distribution, airport-to-airport, truckload, customs, and cartage services primarily in the Southwestern continental United States. Pinch generated approximately $35,000 (unaudited) in revenue during the year ended December 31, 2007. The acquisition of Pinch's pool distribution services expanded the geographic footprint of the FASI segment in the Southwestern United States. In addition to providing additional tonnage density to the Forward Air airport-to-airport network, the acquisition of Pinch's cartage and truckload business provides an opportunity for Forward Air to expand its service options in the Southwestern United States. The purchased assets and liabilities and the results of operations of Pinch have been included in the consolidated financial statements since March 17, 2008. The aggregate purchase price of $18,682 as allocated per the following table was paid with the Company's available cash and borrowings from the Company's senior credit facility.

(In thousands, except share and per share data)

**2. Acquisition of Businesses (Continued)**

| | Forward Air | FASI | Total |
|---|---|---|---|
| Current assets | $ 72 | $ -- | $ 72 |
| Property and equipment | 960 | 148 | 1,108 |
| Non-compete agreements | 80 | -- | 80 |
| Customer relationships | 4,700 | 4,300 | 9,000 |
| Goodwill | 5,573 | 3,437 | 9,010 |
| Total assets acquired | 11,385 | 7,885 | 19,270 |
| | | | |
| Debt and capital leases | 480 | 108 | 588 |
| Total liabilities assumed | 480 | 108 | 588 |
| Net assets acquired | $ 10,905 | $ 7,777 | $ 18,682 |

On July 30, 2007, the Company acquired certain assets and liabilities of USAC. The purchased assets and liabilities and the results of operations of USAC have been included in the consolidated financial statements, in the Company's FASI segment, since July 30, 2007. USAC was a well-established transportation service provider with 11 facilities that specialized in pool distribution services throughout the Southeast, Midwest and Southwest continental United States. USAC generated approximately $32,000 (unaudited) in revenue during the year ended December 31, 2006. In conjunction with the Company's strategy to expand into new services complimentary to the airport-to-airport business, the acquisition provides the opportunity for the Company to introduce new services to new and existing customers and to drive efficiencies in existing businesses. The aggregate purchase price was $12,950, paid with the Company's available cash. During 2008, $237 was paid to the previous owners of USAC for final settlement of the purchased working capital.

The Company's total acquired customer relationships and non-compete agreements of $46,350 and $1,780, respectively, have weighted-average useful lives of 11.4 and 5.6 years, respectively. Amortization expense on acquired customer relationships and non-compete agreements for each of the three years ended December 31, 2010, 2009 and 2008 was $4,590, $4,654 and $4,363, respectively.

The estimated amortization expense for the next five years on definite-lived intangible assets as of December 31, 2010 is as follows:

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Customer relationships | $ 4,255 | $ 4,255 | $ 4,255 | $ 4,067 | $ 3,261 |
| Non-compete agreements | 335 | 311 | 24 | 20 | 20 |
| Total | $ 4,590 | $ 4,566 | $ 4,279 | $ 4,087 | $ 3,281 |

**3. Goodwill and Other Long-Lived Assets**

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

During the three months ended March 31, 2009, the Company determined there were indicators of potential impairment of the goodwill assigned to the FASI segment. This determination was based on the continuing economic recession, declines in current market valuations and FASI operating losses in excess of expectations. As a result, the Company performed an interim impairment test in accordance with the Company accounting policy discussed above as of March 31, 2009. Based on the results of the interim impairment test, the Company concluded that an impairment loss was probable and could be reasonably estimated. Consequently, the Company recorded a non-cash goodwill impairment charge of $6,953 related to the FASI segment during the three months ended March 31, 2009.

(In thousands, except share and per share data)

**3. Goodwill and Other Long-Lived Assets (Continued)**

The Company conducted its annual impairment test of goodwill for each reportable segment as of June 30, 2010 and no additional impairment charges were required. For each of the goodwill impairment calculations, the Company calculated the fair value of the applicable reportable segments, using a combination of discounted projected cash flows and market valuations as of the valuation date for comparable companies. The Company's fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Codification.

As of December 31, 2010, the carrying value of goodwill related to the Forward Air and FASI segments was $37,926 and $5,406, respectively. The estimation of fair value related to the impairment test for goodwill is particularly sensitive to projected financial information used in the calculations. Earnings estimated to be generated by the Forward Air segment are expected to continue supporting the carrying value of its goodwill. The FASI segment is currently facing the challenges of building and expanding a business during difficult economic times. If these overall economic conditions worsen or continue for an extended period of time, future estimates of projected financial information may be reduced, and the Company may be required to record an additional impairment charge against the carrying value of FASI's goodwill.

The changes in the carrying value of goodwill by segment for the year ended December 31, 2009 are as follows:

| | Forward Air | | FASI | | Total |
|---|---|---|---|---|---|
| | Goodwill | Accumulated Impairment | Goodwill | Accumulated Impairment | Net |
| Beginning balance, December 31, 2008 | $ 37,926 | $ -- | $ 12,304 | $ -- | $ 50,230 |
| Adjustment to Service Express acquisition | -- | -- | 55 | -- | 55 |
| Impairment loss | -- | -- | -- | (6,953) | (6,953) |
| Ending balance, December 31, 2009 | $ 37,926 | $ -- | $ 12,359 | $ (6,953) | $ 43,332 |

There were no changes in the carrying amount of goodwill during the year ended December 31, 2010. The goodwill for the above acquisitions is deductible for tax purposes.

Additionally, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on assets classified as held and used when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates a possible impairment, the estimated fair value of the asset is compared to its net book value to measure the impairment charge, if any. During 2009 an impairment charge of $204 was incurred in the Forward Air segment to write off the net book value of certain truckload and cargo handling customer relationships purchased during 2007. These impairment charges were recorded as the related customer relationships and services were discontinued during the first quarter of 2009.

**4. Property**

In June 2009, the Company completed the construction of a new regional hub in Dallas/Fort Worth, Texas for a total cost of approximately $31,642.

**5. Debt and Capital Lease Obligations**

*Credit Facilities*

On October 10, 2007, the Company entered into a $100,000 senior credit facility. This facility has a term of five years and includes an accordion feature, which allows for an additional $50,000 in borrowings. However, at this time the Company believes that to access the accordion feature the Company's lender would require that the interest rates for the senior credit facility be reset to match current market rates. The senior credit facility matures on October 10, 2012. The Company entered into this larger credit facility in order to fund potential acquisitions, the repurchase of its common stock, and for financing other general business purposes. Interest rates for advances under the facility are at LIBOR plus 0.6% to 0.9% based upon covenants related to total indebtedness to earnings (0.9% at December 31, 2010). The agreement contains certain covenants and restrictions, none of which are expected to significantly affect the Company's operations or ability to pay dividends. No assets are pledged as collateral against the senior credit facility. As of December 31, 2010, the Company had $50,000 outstanding under the senior credit facility. At December 31, 2010, the Company had utilized $11,704 of availability for outstanding letters of credit and had $38,296 of available borrowing capacity outstanding under the senior credit facility.

**(In thousands, except share and per share data)**

## 5. Debt and Capital Lease Obligations (Continued)

*Capital Leases*

In September 2000, the Company entered into an agreement with the Rickenbacker Port Authority ("Rickenbacker") to lease a building located near the Company's Columbus, Ohio hub facility. At the inception of the lease, the Company made a $2,004 loan to Rickenbacker. The lease agreement had a ten-year initial term, with two five-year renewal options. Because the lease met the criteria for classification as a capital lease, the leased building was recorded in property and equipment at $3,015 (which represented the present value of the total minimum lease payments, including the $2,004 initial payment). During 2010, the original lease expired and the renewal option was not exercised resulting in the termination of the lease. Upon termination of the lease the related assets and liabilities were written off resulting in a gain of approximately $679.

In conjunction with the acquisitions discussed in Note 2, the Company assumed several equipment leases that met the criteria for classification as a capital lease. The leased equipment is being amortized over the shorter of the lease term or useful life.

Property and equipment include the following amounts for assets under capital leases:

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Buildings | $ -- | $ 3,015 |
| Equipment | 2,071 | 2,391 |
| Accumulated amortization | (1,401) | (2,756) |
| | $ 670 | $ 2,650 |

Amortization of assets under capital leases is included in depreciation and amortization expense.

Future minimum payments, by year and in the aggregate, under non-cancelable capital leases with initial or remaining terms of one year or more consist of the following at December 31, 2010:

| | |
|---|---|
| 2011 | $ 705 |
| 2012 | 585 |
| 2013 | 286 |
| 2014 | 48 |
| Total | 1,624 |
| Less amounts representing interest | 103 |
| Present value of net minimum lease payments (including current portion of $638) | $ 1,521 |

*Interest Payments*

Interest payments during 2010, 2009 and 2008 were $718, $749 and $1,628, respectively. During the years ended December 31, 2009 and 2008, $110 and $301 of interest payments were capitalized, respectively. No interest was capitalized during the year ended December 31, 2010.

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

*Preferred Stock*

The Company had a shareholder rights plan that expired May 18, 2009. The expired plan allowed the Board of Directors to issue, at its discretion, up to 5,000,000 shares of preferred stock, par value \$0.01. The 5,000,000 shares of preferred stock are still authorized, but no shares have been issued to date.

*Cash Dividends*

During each quarter of 2010, 2009 and 2008, the Company's Board of Directors declared a cash dividend of \$0.07 per share of Common Stock. On February 11, 2011, the Company's Board of Directors declared a \$0.07 per share dividend that will be paid in the first quarter of 2011. 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 31, 2007 our Board of Directors approved an additional stock repurchase program for up to two million shares of the Company's Common Stock (the "2007 Repurchase Plan"). No shares were repurchased during the years ended December 31, 2010 and 2009. As of December 31, 2010, 1,788,827 shares of Common Stock remain that may be repurchased under the 2007 Repurchase Plan.

*Share-Based Compensation*

The Company had previously reserved for issuance 4,500,000 common shares under the 1999 Stock Option and Incentive Plan (the "1999 Plan"). Options issued under the 1999 Plan have seven to ten-year terms and vested over a one to five year period.

In May 2008, with the approval of shareholders, the Company amended and restated the 1999 Stock Option and Incentive Plan (the "1999 Amended Plan") to reserve for issuance an additional 3,000,000 common shares, increasing the total number of reserved common shares under the 1999 Amended Plan to 7,500,000.

**6. Shareholders' Equity, Stock Options and Net Income per Share (Continued)**

*Employee Activity - Options*

The following table summarizes the Company's employee stock option activity and related information for the years ended December 31, 2010, 2009 and 2008:

| | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| | Options (000) | Weighted-Average Exercise Price | Options (000) | Weighted-Average Exercise Price | Options (000) | Weighted-Average Exercise Price |
| Outstanding at beginning of year | 3,086 | $ 26 | 2,446 | $ 28 | 2,246 | $ 26 |
| Granted | 664 | 22 | 675 | 23 | 387 | 30 |
| Exercised | (35) | 21 | (1) | 18 | (153) | 15 |
| Forfeited | (13) | 26 | (34) | 28 | (34) | 32 |
| Outstanding at end of year | 3,702 | $ 26 | 3,086 | $ 26 | 2,446 | $ 28 |
| Exercisable at end of year | 2,475 | $ 27 | 1,906 | $ 27 | 1,528 | $ 26 |
| Options available for grant | 1,713 | | 2,363 | | 3,004 | |
| Weighted-average fair value of options granted during the year | $ 8.24 | | $ 7.96 | | $ 9.17 | |
| Aggregate intrinsic value for options exercised | $ 268 | | $ 3 | | $ 3,089 | |
| Average aggregate intrinsic value for options outstanding | $ 3,613 | | | | | |
| Average aggregate intrinsic value for exercisable options | $ -- | | | | | |

The following table summarizes information about stock options outstanding as of December 31, 2010:

| 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 |
|---|---|---|---|---|---|
| $ 13.25-18.82 | 312 | 2.4 | $ 15.48 | 312 | $ 15.48 |
| 20.05-29.44 | 2,578 | 4.7 | 25.33 | 1,356 | 27.18 |
| 30.35-35.53 | 812 | 3.4 | 31.37 | 807 | 31.36 |
| $ 13.25-35.53 | 3,702 | 4.2 | $ 25.82 | 2,475 | $ 27.07 |

**6. Shareholders' Equity, Stock Options and Net Income per Share (Continued)**

Share-based compensation expense for options granted in 2010, 2009 and 2008 was recognized in salaries, wages and employee benefits. Share-based compensation expense for options granted was $5,689, $5,832 and $4,036 during 2010, 2009 and 2008, respectively. The total tax benefit related to the share-based expense for these options was $1,707, $1,691 and $1,032 for 2010, 2009 and 2008, respectively. Total compensation cost, net of estimated forfeitures, related to the options not yet recognized in earnings was $5,457 at December 31, 2010. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

*Employee Activity – Non-vested shares*

During the year ended December 31, 2006, the Company granted 129,350 non-vested shares to key employees with a weighted-average fair value of $36.09 per share. Share-based compensation expense of $258 and $1,403 for non-vested shares granted to employees during 2006 was recognized in salaries, wages and employee benefits during the years ended December 31, 2009 and 2008, respectively. The total tax benefit related to this share-based expense was $109 and $550 for the years ended December 31, 2009 and 2008, respectively.

During the year ended December 31, 2009, 37,632 previously non-vested shares with a total grant date fair value of $1,358 vested to employees. During the year ended December 31, 2008, 38,078 previously non-vested shares with a total grant date fair value of $1,374 vested to employees. During the year ended December 31, 2008, 1,350 of non-vested shares were forfeited by employees. No non-vested shares were forfeited by employees during the year ended December 31, 2009. As of December 31, 2009 all shares granted to employees had vested or been forfeited.

*Employee Activity – ESPP*

Under the ESPP at December 31, 2010, the Company is authorized to issue up to a remaining 439,090 shares of Common Stock to employees of the Company. For the years ended December 31, 2010, 2009 and 2008, participants under the plan purchased 8,142, 12,092 and 10,377 shares, respectively, at an average price of $23.89, $19.63 and $24.57 per share, respectively. The weighted-average fair value of each purchase right under the ESPP granted for the years ended December 31, 2010, 2009 and 2008, which is equal to the discount from the market value of the Common Stock at the end of each six month purchase period, was $3.93, $3.90 and $5.00 per share, respectively. Share-based compensation expense of $32, $47 and $51 was recognized in salaries, wages and employee benefits, during the years ended December 31, 2010, 2009 and 2008, respectively.

*Non-employee Directors – Non-vested shares*

On May 23, 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. The Amended Plan is designed to better enable the Company to attract and retain well-qualified persons for service as directors of the Company. Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director will automatically be granted an award (the "Annual Grant"), in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, Annual Grants will become vested and nonforfeitable one year after the date of grant so long as the non-employee director's service with the Company does not earlier terminate. Each director may elect to defer receipt of the shares under a non-vested share award until the director terminates service on the Board of Directors. If a director elects to defer receipt, the Company will issue deferred stock units to the director, which do not represent actual ownership in shares and the director will not have voting rights or other incidents of ownership until the shares are issued. However, the Company will credit the director with dividend equivalent payments in the form of additional deferred stock units for each cash dividend payment made by the Company.

During 2010, 2009 and 2008, under the Amended Plan, 19,131, 30,870 and 18,448, respectively, of non-vested shares or deferred stock units were issued to the Company's non-employee directors. The weighted-average grant date fair values for the 2010, 2009 and 2008 grants to non-employee directors were $29.27, $18.14 and $34.69, respectively. The share-based compensation for these awards are recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period, of one year.

Under the 2006 Plan, during 2006, 13,500 non-vested shares and deferred stock units were issued to the Company's non-employee directors with a weighted-average fair value of $36.27. In April 2007, 375 non-vested shares with fair values of $30.88 per share were issued to a new non-employee director. The share-based compensation for these awards was recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period, of three years.

**6. Shareholders' Equity, Stock Options and Net Income per Share (Continued)**

During the year ended December 31, 2008, 23,649 of previously non-vested shares and deferred stock units with a total grant date fair value of $807 vested to non-employee directors. During 2008, a non-employee director resigned from our Board of Directors and forfeited approximately 3,056 non-vested shares. During the year ended December 31, 2009, 20,017 of previously non-vested shares and deferred stock units with a total grant date fair value of $700 vested to non-employee directors. During the year ended December 31, 2010, 30,995 of previously non-vested shares and deferred stock units with a total grant date fair value of $892 vested to non-employee directors. At December 31, 2010, 19,131 non-vested shares granted to non-employee directors had yet to vest.

During the years ended December 31, 2010, 2009 and 2008, share-based compensation expense for non-vested shares granted to non-employee directors under the above plans was $563, $617 and $777, respectively, and was recognized in salaries, wages and employee benefits. The total tax benefits related to this share-based expense was $226, $261 and $305 for the years ended December 31, 2010, 2009 and 2008, respectively. Total compensation cost, net of estimated forfeitures, related to these non-vested shares granted to non-employee directors not yet recognized in earnings was $202 at December 31, 2010. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

*Non-employee Directors - Options*

In addition to the above activity, each May from 1995 to 2005, options were granted to the non-employee directors of the Company. The options have terms of ten years and are fully exercisable. The following tables summarize the Company's non-employee stock option activity and related information for the years ended December 31, 2010, 2009 and 2008:

| | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| | Options (000) | Weighted-Average Exercise Price | Options (000) | Weighted-Average Exercise Price | Options (000) | Weighted-Average Exercise Price |
| Outstanding at beginning of year | 74 | $ 22 | 74 | $ 22 | 112 | $ 22 |
| Granted | -- | -- | -- | -- | -- | -- |
| Exercised | (11) | 24 | -- | -- | (38) | 22 |
| Forfeited | -- | -- | -- | -- | -- | -- |
| Outstanding and exercisable at end of year | 63 | $ 22 | 74 | $ 22 | 74 | $ 22 |
| Aggregate intrinsic value for options exercised | $ 37 | | $ -- | | $ 497 | |
| Average aggregate intrinsic value for options outstanding and exercisable | $ 332 | | | | | |

At December 31, 2010, weighted average remaining contractual term for these options was 2.6 years.

**6. Shareholders' Equity, Stock Options and Net Income per Share (Continued)**

*Net Income per Share*

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Numerator: | | | |
| Numerator for basic and diluted net income per share | $ 32,036 | $ 9,802 | $ 42,542 |
| Denominator: | | | |
| Denominator for basic net income per share - weighted-average shares (in thousands) | 28,984 | 28,928 | 28,808 |
| Effect of dilutive stock options and non-vested shares (in thousands) | 127 | 65 | 217 |
| Denominator for diluted net income per share - adjusted weighted-average shares (in thousands) | 29,111 | 28,993 | 29,025 |
| Basic net income per share | $ 1.11 | $ 0.34 | $ 1.48 |
| Diluted net income per share | $ 1.10 | $ 0.34 | $ 1.47 |

The number of options and non-vested shares that could potentially dilute income per basic share in the future, but that were not included in the computation of income per diluted share because to do so would have been anti-dilutive for the periods presented, were approximately 3,174,000, 2,610,000 and 1,153,000 in 2010, 2009 and 2008, respectively.

**7. Income Taxes**

The provision for income taxes consists of the following:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 16,816 | $ 10,711 | $ 22,242 |
| State | 2,811 | 2,017 | 3,476 |
| | 19,627 | 12,728 | 25,718 |
| Deferred: | | | |
| Federal | 1,566 | (4,310) | 1,061 |
| State | (130) | (271) | 90 |
| | 1,436 | (4,581) | 1,151 |
| | $ 21,063 | $ 8,147 | $ 26,869 |

The tax (expense) benefit associated with the exercise of stock options and the vesting of non-vested shares during the years ended December 31, 2010, 2009 and 2008 were $194, ($370) and $1,030, respectively, and are reflected as a decrease or increase in additional paid-in capital in the accompanying consolidated statements of shareholders' equity.

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

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Tax expense at the statutory rate | $ 18,585 | $ 6,282 | $ 24,294 |
| State income taxes, net of federal benefit | 1,790 | 1,135 | 2,318 |
| Qualified stock options | 516 | 659 | 503 |
| Meals and entertainment | 186 | 176 | 194 |
| Deferred tax asset valuation allowance | (124) | 183 | (132 ) |
| Federal income tax credits | -- | (269 ) | (328 ) |
| Other | 110 | (19 ) | 20 |
| | $ 21,063 | $ 8,147 | $ 26,869 |

(In thousands, except share and per share data)

**7. Income Taxes (Continued)**

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, 2010 | December 31, 2009 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued expenses | $ 4,669 | $ 4,365 |
| Allowance for doubtful accounts | 772 | 742 |
| Non-compete agreements | 2,227 | 1,711 |
| Share-based compensation | 5,101 | 3,548 |
| Accruals for income tax contingencies | 114 | 114 |
| Impairment of goodwill and other intangible assets | 1,805 | 2,104 |
| Net operating loss carryforwards | 444 | 279 |
| Total deferred tax assets | 15,132 | 12,863 |
| Valuation allowance | (335) | (459) |
| Total deferred tax assets, net of valuation allowance | 14,797 | 12,404 |
| | | |
| Deferred tax liabilities: | | |
| Tax over book depreciation | 11,541 | 8,786 |
| Prepaid expenses deductible when paid | 1,463 | 1,800 |
| Goodwill | 5,760 | 4,343 |
| Total deferred tax liabilities | 18,764 | 14,929 |
| Net deferred tax liabilities | $ (3,967) | $ (2,525) |

The balance sheet classification of deferred income taxes is as follows:

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Current assets | $ 2,149 | $ 3,261 |
| Noncurrent liabilities | (6,116) | (5,786) |
| | $ (3,967) | $ (2,525) |

Total income tax payments, net of refunds, during fiscal years 2010, 2009 and 2008 were $20,944, $7,888 and $30,293, respectively.

At December 31, 2010 and 2009, the Company had state net operating loss carryforwards of $10,084 and $8,792, respectively that will expire between 2013 and 2026. 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 will not generate sufficient taxable income to realize the net operating loss benefits for the $6,465 in state loss carryforwards. As a result, a valuation allowance has been provided for $6,465 of the state loss carryforwards. The valuation allowance on these certain state loss carryforwards was unchanged during 2010, but increased $3 during 2009.

**(In thousands, except share and per share data)**

**7. Income Taxes (Continued)**

During 2009, the Company also established a valuation allowance of $180 on the state portion of FASI's net deferred tax assets. This valuation allowance was established based on expectations of future taxable income as management believes that it is more likely than not that the results of FASI operations will not generate sufficient taxable income to realize the state benefit of the net deferred tax assets. During 2010, in conjunction with a decline in FASI's net deferred tax assets the related valuation allowance was reduced by $124.

*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 2005.

During the year ended December 31, 2008, the Company reached a settlement with a state taxing authority regarding the taxability of two Company subsidiaries in the related state for tax years 1996 through 2007. As a result of this settlement, the Company agreed to pay the state $306, including interest and penalties. Also, the Company further agreed that if the state was successful in certain litigation efforts the Company would pay an additional $213, including interest and penalties. Based on the settlement, the Company maintained a contingent tax liability for $213, and reversed the excess accrual. The Company had previously reserved $1,393 for this contingency. As a result of the settlement during 2008 the Company was able to reduce current state income tax expense by $611, interest expense by $104 and penalties by $159.

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

| | Liability for Unrecognized Tax Benefits |
|---|---|
| Balance at December 31, 2007 | $ 1,117 |
| Additions for tax positions of current year | 126 |
| Reductions for settlement with state taxing authorities | (815) |
| Balance at December 31, 2008 | 428 |
| Additions for tax positions of current year | 71 |
| Additions for tax positions of prior years | 143 |
| Balance at December 31, 2009 | 642 |
| Additions for tax positions of current year | 41 |
| Additions for tax positions of prior years | 190 |
| Reductions for settlement with state taxing authorities | (148) |
| Balance at December 31, 2010 | $ 725 |

Included in the liability for unrecognized tax benefits at December 31, 2010 and December 31, 2009 are tax positions of $725 and $642, respectively, which represents tax positions where the realization of the ultimate benefit is uncertain and the disallowance of which would affect the Company's annual effective income tax rate.

Included in the liability for unrecognized tax benefits at December 31, 2010 and December 31, 2009, are accrued penalties of $57. The liability for unrecognized tax benefits at December 31, 2010 and December 31, 2009 also included accrued interest of $113 and $99, respectively.

**8. Operating Leases**

The Company leases certain facilities under noncancellable operating leases that expire in various years through 2020. Certain leases may be renewed for periods varying from one to ten years. In conjunction with previous acquisitions discussed in Note 2, the Company assumed several operating leases for tractors, straight trucks and trailers with original lease terms between three and six years. These leases expire in various years through 2014 and may not be renewed beyond the original term.

(In thousands, except share and per share data)

**8. Operating Leases (Continued)**

Sublease rental income, was $556, $356 and $615 in 2010, 2009 and 2008, respectively. In 2011, the Company expects to receive aggregate future minimum rental payments under noncancellable subleases of approximately $95. Noncancellable subleases expire between 2012 and 2016.

Future minimum rental payments under noncancellable operating leases with initial or remaining terms in excess of one year consisted of the following at December 31, 2010:

| | | |
|---|---|---|
| 2011 | $ | 20,566 |
| 2012 | | 17,193 |
| 2013 | | 14,325 |
| 2014 | | 12,647 |
| 2015 | | 9,178 |
| Thereafter | | 13,884 |
| Total | $ | 87,793 |

**9. Commitments and Contingencies**

From time to time, the Company is party to ordinary, routine litigation incidental to and arising in the normal course of business. The Company does not believe that any of these pending actions, individually or in the aggregate, will have a material adverse effect on its 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 medical benefits. Most of the Company's insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

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

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

As of December 31, 2010, the Company had commitments to purchase various trailers, vehicles and forklifts for approximately $14,211 during 2011. This commitment is expected to be funded by cash on hand and cash flows from operations.

**10. 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. Employer contributions were made at 25.0% of the employee's contribution up to a maximum of 6.0% for all periods presented 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 2010, 2009 and 2008 were approximately $548, $519 and $615, respectively.

**(In thousands, except share and per share data)**

## 11. Financial Instruments

*Off Balance Sheet Risk*

At December 31, 2010, the Company had letters of credit outstanding totaling $11,704 as required by its workers' compensation and vehicle liability insurance providers.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and trade accounts receivable. The Company does not generally require collateral from its customers. Concentrations of credit risk with respect to trade accounts receivable on a consolidated basis are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different industries. However, while not significant to the Company on a consolidated basis, four customers account for approximately 70.4% of FASI's 2010 operating revenue. Receivables from these four customers totaled approximately $4,550 at December 31, 2010.

Beginning in the second quarter of 2010, the Company ceased providing services to one of its largest customer in 2009. During 2009 revenues from this customer were approximately $9,050 and accounted for 12.5% of FASI's operating revenue and 2.2% of the Company's consolidated operating revenue. During 2010, through cessation of services, revenues from this customer were approximately $5,541 and accounted for 7.5% of FASI's operating revenue and 1.1% of the Company's consolidated operating revenue. The revenue associated with this customer was low yielding and the impact on 2010 and 2009 operating results was minimal.

*Fair Value of Financial Instruments*

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

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

The Company's senior credit facility bears interest at LIBOR plus 0.6% to 0.9% based upon covenants related to total indebtedness to earnings. However, due to current economic conditions, the Company believes its borrowing rate to be favorable to current market rates. Using interest rate quotes currently available in the market, the Company estimated the fair value of its senior credit facility, notes payable and capital lease obligations as follows:

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Senior credit facility | $ 50,000 | $ 48,480 | $ 50,000 | $ 47,461 |
| Notes payable | -- | -- | 21 | 22 |
| Capital lease obligations | 1,521 | 1,539 | 3,067 | 3,305 |

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

## 12. Segment Reporting

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

The accounting policies of the segments are the same as those described in Note 1. Segment data includes intersegment revenues. Assets and costs of the corporate headquarters are allocated to the segments based on usage. The Company evaluates the performance of its segments based on net income. The Company's business is conducted principally in the U.S. and Canada.

**(In thousands, except share and per share data)**

**12. Segment Reporting (Continued)**

The following tables summarize segment information about net income 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, 2010, 2009 and 2008.

| Year ended December 31, 2010 | Forward Air | FASI | Eliminations | Consolidated |
|---|---|---|---|---|
| External revenues | $ 411,767 | $ 72,172 | $ -- | $ 483,939 |
| Intersegment revenues | 1,168 | 311 | (1,479) | -- |
| Depreciation and amortization | 16,496 | 3,954 | -- | 20,450 |
| Share-based compensation expense | 5,896 | 388 | -- | 6,284 |
| Interest expense | 671 | 59 | -- | 730 |
| Interest income | 92 | 4 | -- | 96 |
| Income tax expense | 20,769 | 294 | -- | 21,063 |
| Net income (loss) | 32,580 | (544) | -- | 32,036 |
| Total assets | 349,849 | 36,875 | (37,928) | 348,796 |
| Capital expenditures | 10,461 | 4,687 | -- | 15,148 |

| Year ended December 31, 2009 | Forward Air | FASI | Eliminations | Consolidated |
|---|---|---|---|---|
| External revenues | $ 345,388 | $ 72,022 | $ -- | $ 417,410 |
| Intersegment revenues | 920 | 446 | (1,366) | -- |
| Depreciation and amortization | 16,096 | 3,626 | -- | 19,722 |
| Share-based compensation expense | 6,461 | 293 | -- | 6,754 |
| Impairment of goodwill and other intangible assets | 204 | 6,953 | -- | 7,157 |
| Interest expense | 572 | 98 | -- | 670 |
| Interest income | 66 | 6 | -- | 72 |
| Income tax expense (benefit) | 11,137 | (2,990) | -- | 8,147 |
| Net income (loss) | 15,234 | (5,432) | -- | 9,802 |
| Total assets | 315,267 | 39,591 | (38,128) | 316,730 |
| Capital expenditures | 17,961 | 2,886 | -- | 20,847 |

| Year ended December 31, 2008 | Forward Air | FASI | Eliminations | Consolidated |
|---|---|---|---|---|
| External revenues | $ 419,283 | $ 55,153 | $ -- | $ 474,436 |
| Intersegment revenues | 1,929 | 127 | (2,056) | -- |
| Depreciation and amortization | 14,414 | 2,201 | -- | 16,615 |
| Share-based compensation expense | 6,130 | 137 | -- | 6,267 |
| Interest expense | 1,157 | 79 | -- | 1,236 |
| Interest income | 344 | 10 | -- | 354 |
| Income tax expense (benefit) | 26,996 | (127) | -- | 26,869 |
| Net income (loss) | 42,910 | (368) | -- | 42,542 |
| Total assets | 298,585 | 46,901 | (37,959) | 307,527 |
| Capital expenditures | 23,337 | 3,362 | -- | 26,699 |

(In thousands, except share and per share data)

**13. Quarterly Results of Operations (Unaudited)**

The following is a summary of the quarterly results of operations for the years ended December 31, 2010 and 2009:

| | 2010 | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| Operating revenue | $ 106,977 | $ 122,132 | $ 121,522 | $ 133,308 |
| Income from operations | 6,055 | 13,502 | 15,505 | 18,677 |
| Net income | 3,419 | 7,912 | 8,888 | 11,817 |
| Net income per share: | | | | |
| Basic | $ 0.12 | $ 0.27 | $ 0.31 | $ 0.41 |
| Diluted | $ 0.12 | $ 0.27 | $ 0.31 | $ 0.41 |

| | 2009 | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| Operating revenue | $ 96,616 | $ 99,697 | $ 103,079 | $ 118,018 |
| Income (loss) from operations | (5,026) | 4,873 | 6,671 | 12,032 |
| Net income (loss) | (3,104) | 2,844 | 3,779 | 6,283 |
| Net income (loss) per share: | | | | |
| Basic | $ (0.11) | $ 0.10 | $ 0.13 | $ 0.22 |
| Diluted | $ (0.11) | $ 0.10 | $ 0.13 | $ 0.22 |

**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 Describe | Deductions -Describe | | Balance at End of Period |
| Year ended December 31, 2010 | | | | | | |
| Allowance for doubtful accounts | $ 1,457 | $ (52) | $ -- | $ (214) | (2) | $ 1,619 |
| Allowance for revenue adjustments (1) | 462 | 1,589 | -- | 1,674 | (3) | 377 |
| Income tax valuation | 459 | (124) | -- | -- | | 335 |
| | 2,378 | 1,413 | -- | 1,460 | | 2,331 |
| Year ended December 31, 2009 | | | | | | |
| Allowance for doubtful accounts | $ 1,675 | $ (60) | $ -- | $ 158 | (2) | $ 1,457 |
| Allowance for revenue adjustments (1) | 856 | 2,390 | -- | 2,784 | (3) | 462 |
| Income tax valuation | 276 | 183 | -- | -- | | 459 |
| | 2,807 | 2,513 | -- | 2,942 | | 2,378 |
| Year ended December 31, 2008 | | | | | | |
| Allowance for doubtful accounts | $ 805 | $ 903 | $ -- | $ 33 | (2) | $ 1,675 |
| Allowance for revenue adjustments (1) | 337 | 4,259 | -- | 3,740 | (3) | 856 |
| Income tax valuation | 408 | -- | -- | 132 | (4) | 276 |
| | 1,142 | 5,162 | -- | 3,773 | | 2,807 |

(1) Represents an allowance for adjustments to accounts receivable due to disputed rates, accessorial charges and other aspects of previously billed shipments.
(2) Uncollectible accounts written off, net of recoveries.
(3) Adjustments to billed accounts receivable.
(4) Represents reduction of valuation allowance for expired state net operating loss carryforwards.

## EXHIBIT INDEX

| No. | Exhibit |
|---|---|
| 3.1 | Restated Charter of the registrant (incorporated herein by reference to Exhibit 3 to the registrant’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 28, 1999 (File No. 0-22490)) |
| 3.2 | Amended and Restated Bylaws of the registrant (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 6, 2009 (File No. 0-22490)) |
| 4.1 | Form of Forward Air Corporation Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 filed with the Securities and Exchange Commission on November 16, 1998 (File No. 0-22490)) |
| 10.1 | * Forward Air Corporation 2005 Employee Stock Purchase Plan (incorporated herein by reference to the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 20, 2005 (File No. 0-22490)) |
| 10.2 | * Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 3, 2008 (File No. 0-22490)) |
| 10.3 | Lease Agreement, dated as of June 1, 2006, between the Greeneville-Greene County Airport Authority and the registrant (incorporated herein by reference to Exhibit 10.3 to the registrant's Annaul Report on Form 10-K for the fiscal year ended December 31, 2006 filed with the Securities and Exchange Commission on February 27, 2007 (File No. 0-22490)) |
| 10.4 | Air Carrier Certificate, effective August 28, 2003 (incorporated herein by reference to Exhibit 10.5 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490)) |
| 10.5 | * Amendment to the Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission on March 11, 2004 (File No. 0-22490)) |
| 10.6 | Credit Agreement dated October 10, 2007 among the registrant and certain of its subsidiaries and Wachovia Bank, N.A. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 2007 (File No. 0-22490)) |
| 10.7 | * Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell, including Attachment B, Restrictive Covenants Agreement entered into contemporaneously with and as part of the Employment Agreement (incorporated herein by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2007 (File No. 0-22490)) |
| 10.8 | * Amendment dated December 30, 2008 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.9 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490)) |
| 10.9 | * Second Amendment dated February 24, 2009 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.10 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490)) |
| 10.10 | * Third Amendment dated December 15, 2010 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell |
| 10.11 | * Form of Incentive Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan, as amended and 1999 Stock Option and Incentive Plan, as amended, for grants prior to February 12, 2006 (incorporated herein by reference to Exhibit 10.12 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490)) |
| 10.12 | * Form of Non-Qualified Stock Option Agreement under the registrant's Non-Employee Director Stock Option Plan, as amended, for grants prior to February 12, 2006 (incorporated herein by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490)) |
| 10.13 | Forward Air Corporation Section 125 Plan (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed with the Securities and Exchange Commission on March 15, 2002 (File No. 0-22490)) |
| 10.14 | * Forward Air Corporation Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Appendix A of the registrant's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 3, 2008 (File No. 0-22490)) |
| 10.15 | * Form of Incentive Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.19 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490)) |
| 10.16 | * Form of Non-Qualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan |

10.17 * Form of Option Restriction Agreement between the registrant and each executive officer regarding certain restrictions on transferability of accelerated stock options granted under the registrant's 1999 Stock Option and Incentive Plan, as amended (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))

10.18 * Form of Restricted Stock Agreement for an award of restricted stock under the registrant's 1999 Stock Option and Incentive Plan, as amended, granted during 2006 (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005 filed with the Securities and Exchange Commission on March 22, 2006 (File No. 0-22490))

10.19 * Form of Restricted Stock Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan

10.20 * 2006 Non-Employee Director Stock Plan (incorporated herein by reference to Appendix A of the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 24, 2006 (File No. 0-22490))

10.21 * Form of Non-Employee Director Restricted Stock Agreement for an award of restricted stock under the registrant's 2006 Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 99.2 to the registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 19, 2006 (File No. 0-22490))

10.22 * Amended and Restated Non-Employee Director Stock Plan (incorporated herein by reference to Appendix B of the registrant's Proxy Statement filed with the Securities and Exchange Commission on April 19, 2007 (File No. 0-22490))

10.23 * Amended and Restated Non-Employee Director Stock Plan, as further amended and restated on December 17, 2008 (incorporated herein by reference to Exhibit 10.25 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on February 26, 2009 (File No. 0-22490))

10.24 * Schedule of Non-Employee Director Compensation effective May 24, 2006 (incorporated herein by reference to Exhibit 99.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 23, 2006 (File No. 0-22490))

10.25 2010 Annual Incentive Plan Clawback Agreement

10.26 Agreement of Purchase and Sale, dated as of July 10, 2006, among AMB Property II, L.P., Headlands Realty Corporation and Forward Air, Inc. (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, 2006 filed with the Securities and Exchange Commission on August 4, 2006 (File No. 0-22490))

10.27 Agreement of Purchase and Sale, dated as of September 14, 2006, by and between Headlands Realty Corporation and Forward Air, Inc. (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 filed with the Securities and Exchange Commission on November 3, 2006 (File No. 0-22490))

10.28 Asset Purchase Agreement dated November 26, 2007 by and among Forward Air Corporation, Black Hawk Freight Services, Inc. and the stockholders of Black Hawk Freight Services, Inc. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 30, 2007 (File No. 0-22490))

14.1 Code of Business Conduct and Ethics

21.1 Subsidiaries of the registrant (incorporated herein by reference to Exhibit 21.1 to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2009 filed with the Securities and Exchange Commission on February 26, 2010 (File No. 0-22490))

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**
*430 Airport Road*
*Greeneville, Tennessee 37745*
*(423) 636-7000*
*www.forwardair.com*

**Annual Meeting**

*The Company's 2011 Annual Meeting of Shareholders will be held at 8:00 a.m., EDT, on Monday, May 9, 2011, in the Piper Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, College Park, 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 Rodney L. Bell at (423) 636-7000 or e-mailed to investorrelations@forwardair.com at the Company's corporate headquarters.*

*The Company maintains a direct mailing list to assist shareholders with stock held in brokerage accounts to receive information on a timely basis. Shareholders wishing to be added to this list should direct their requests to Forward Air Corporation Investor Relations, P.O. Box 1058, Greeneville, Tennessee 37744, e-mail investorrelations@forwardair.com or call (404) 362-3954.*

*Shareholder inquiries regarding change of address, transfer of stock certificates and lost certificates should be directed to:*

Computershare Investor Services
*P.O. Box 43023*
*Providence, RI 02940-3023*
*(800) 568-3476*
*www-us.computershare.com*

**Independent Registered Public Accounting Firm**

Ernst & Young LLP
*One Nashville Place*
*Suite 1400*
*150 Fourth Avenue North*
*Nashville, Tennessee 37219*

**Board of Directors**

Bruce A. Campbell
*Chairman, President and Chief Executive Officer*
*Forward Air Corporation*

Ronald W. Allen
*Former Chairman of the Board, President and Chief Executive Officer*
*Delta Airlines, Inc.*

C. Robert Campbell
*Executive Vice President and Chief Financial Officer*
*MasTec, Inc.*

Richard W. Hanselman
*Former Director*
*ArvinMeritor, Inc.*

C. John Langley, Jr.
*Clinical Professor of Supply Chain Management and Director of Development for The Center for Supply Chain Research*
*The Pennsylvania State University*

Tracy A. Leinbach
*Former Executive Vice President and Chief Financial Officer*
*Ryder System, Inc.*

Larry D. Leinweber
*President and Chief Executive Officer*
*New World Systems*

G. Michael Lynch
*Lead Independent Director*
*Forward Air Corporation*
*Former Executive Vice President and Chief Financial Officer*
*Federal-Mogul Corporation*

Ray A. Mundy
*Director of the Center for Transportation Studies and Barriger Endowed Professor of Transportation and Logistics*
*University of Missouri*

Gary L. Paxton
*Former President and Chief Executive Officer*
*Dollar Thrifty Automotive Group*

**Executive Officers**

Bruce A. Campbell
*Chairman, President and Chief Executive Officer*

Rodney L. Bell
*Chief Financial Officer, Senior Vice President and Treasurer*

Craig A. Drum
*Senior Vice President, Sales*

Matthew J. Jewell
*Executive Vice President, Chief Legal Officer and Secretary*

Chris C. Ruble
*Executive Vice President, Operations*

Michael P. McLean
*Chief Accounting Officer, Vice President and Controller*