Forward Air Corporation

Notice of 2015 Annual Meeting of Shareholders, Proxy Statement and 2014 Annual Report

Forward Air Corporation

Dear Fellow Shareholder,

Looking back at all that we accomplished last year, I once again am impressed with the level and depth of talent and unwavering dedication of the Forward Air team. Our steadfast commitment to operational excellence delivered new Company records for revenue, operating income and earnings, all while overcoming significant challenges. In the first quarter of 2014, we faced unprecedented winter weather that disrupted our operations and pushed our operating costs higher. Also, for all of 2014, we contended with tightening capacity among owner-operators and contract carriers which increased our purchased transportation and recruiting costs. Yet despite these challenges, our team delivered superior service to our customers which ultimately translated into good results for our shareholders. Here are some of the financial and other highlights for the year ended December 31, 2014:

- Operating revenue increased 19.7% in 2014 over the prior year, increasing to a record $781 million versus $652.5 million in 2013.
- Income from operations increased 14.2% to a record $96.4 million in 2014 from $84.4 million in 2013.
- We generated $91.7 million in cash from operations, offset by $127.7 million of cash used in investing activities and $50.0 million used in financing activities. We ended 2014 with $41.1 million of cash on hand and $140.3 million of availability on our revolving line of credit.
- We acquired Central States Trucking Co. and Central States Logistics, Inc. (collectively, "CST"), a provider of container and intermodal drayage services and dedicated contract and Container Freight Station warehouse and handling services. CST was a solid contributor to our results in 2014, and we believe that CST will be a key growth vehicle for us for the foreseeable future.

As for 2015, I am pleased to report that we are off to an excellent start. On March 9th, we closed our acquisition of CLP Towne Inc. ("Towne"), a full-service trucking company. In addition to its array of service offerings and its book of business, Towne brings Forward Air the opportunity to partner with its fleet of approximately 584 independent owner-operators, a critical asset given today's capacity constraints. We believe that this acquisition will enable us to provide a more reliable network for our customers and drive value for our shareholders.

In addition to the significant potential we see from our recent acquisitions, we have continued organic growth opportunity in each of our business segments. Furthermore, our balance sheet remains strong, giving us the flexibility to continue to fund future acquisitions and to invest in technology, pay quarterly dividends and opportunistically carry out stock repurchases. We remain focused on leveraging this advantage and making strategic decisions that will enhance shareholder value and ensure the near- and long-term success of Forward Air. We believe we are well positioned to deliver value to our customers and shareholders in 2015 and beyond.

Thank you for investing in our Company and for your confidence in the Forward Air team.

Sincerely yours,

Bruce A. Campbell
Chairman, President and Chief Executive Officer

Forward Air Corporation

April 2, 2015

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 Tuesday, May 12, 2015, beginning at 8:00 a.m., EDT in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337.

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

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

Sincerely yours,

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 12, 2015

To the Shareholders of Forward Air Corporation:

The Annual Meeting of Shareholders of Forward Air Corporation (the “Company”) will be held on Tuesday, May 12, 2015, beginning at 8:00 a.m., EDT, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337.

Attendance at the Annual Meeting will be limited to shareholders, those holding proxies from shareholders and representatives of the Company, press and financial community. To gain admission to the Annual Meeting, you will need to 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 eight members of the Board of Directors with terms expiring at the next Annual Meeting of Shareholders in 2016, 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, on an advisory basis, the compensation of the named executive officers (the “say on pay vote”); and

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

We will make available a list of shareholders of record as of March 13, 2015, the record date for the Annual Meeting, for inspection by shareholders during normal business hours from March 18, 2015 until May 11, 2015 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 13, 2015 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, and 3.**

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

By Order of the Board of Directors,

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

Greeneville, Tennessee
April 2, 2015

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 Tuesday, May 12, 2015, beginning at 8:00 a.m., EDT, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337, and any adjournment or postponement thereof, for the purposes set forth in the foregoing Notice of Annual Meeting of Shareholders. This proxy statement and proxy card are first being sent to shareholders on or about April 2, 2015.

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

Shareholders are entitled to one vote for each share of common stock held of record at the close of business on March 13, 2015 (the "Record Date"). There were 30,954,111 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. A properly executed proxy marked **"Withhold Authority"** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted in determining whether there is a quorum. Therefore, so long as a quorum is present, withholding authority will have no effect on the election of directors.

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

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 matters that are not considered "routine." The matters contained in this Proxy Statement that are not considered routine are the election of the Board of Directors and the advisory vote on the compensation paid to our named executive officers. Shares held by your broker will not be voted on these matters absent specific instruction from you, which means your shares may go unvoted and not affect the outcome if you do not specify a vote. Proxies that are returned to us where brokers have received instructions to vote on one or more proposal(s) but have not received instructions to vote on other proposal(s) are referred to as "broker non-votes" with respect to the proposal(s) not voted upon. Broker non-votes are included in determining the presence of a quorum.

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 2015 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2015.

The Company's Proxy Statement for the 2015 Annual Meeting of Shareholders and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 are available at www.forwardair.com.

PROPOSAL 1 - ELECTION OF DIRECTORS

At the date of this Proxy Statement, our Board is comprised of nine directors, eight of whom are non-employee directors. There are eight nominees for election at the Annual Meeting of Shareholders, each to hold office until the next Annual Meeting of Shareholders in 2016 or until a successor has been duly elected and qualified. After the 2014 annual meeting, the Board increased its size to nine members pursuant to authority under the Company's bylaws and elected Ronald W. Allen, effective November 26, 2014, to fill the new Board seat until the Annual Meeting. Dr. Ray A. Mundy, who has served on our Board since 2000, will retire as of the date of the Annual Meeting. The Company has greatly valued his expertise and perspective with respect to strategy and governance matters over the years. We thank him for his outstanding contributions to our success. Due to the retirement of Dr. Mundy, effective at the time of the Annual Meeting, the number of directors will be reduced to eight.

The Board of Directors recommends a vote FOR the election of the eight nominees named below. Duly executed proxies will be so voted unless record holders specify a contrary choice on their proxies. 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. In the event any director nominee, in an uncontested election, receives a greater number of votes "withheld" from his or her election than votes "for" such election, he or she shall tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Committee shall recommend to the Board the action to be taken with respect to the resignation. The Board will publicly disclose its decision within 90 days of the certification of the election results.

Director Nominees

The following persons are the nominees for 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 2014
Atlanta, Georgia Age 73

Mr. Allen previously served as a director of Forward Air from 2011 to 2013. Mr. Allen retired as the Chief Executive Officer of Aaron's, Inc. ("Aaron's"), a leading lease-to-own company for furniture, appliances and electronics, in September 2014. He served as the Chairman of the Board of Directors of Aaron's and as its President and Chief Executive Officer from November 2012 until April 2014. Before being elected as Chairman of the Board of Aaron's, Mr. Allen served as President and Chief Executive Officer from February 2012 until November 2012, and as its Interim President and Chief Executive Officer from November 2011 until February 2012. Mr. Allen retired as the Chairman of the Board, President and Chief Executive Officer of Delta Air Lines, Inc. ("Delta") in July 1997. From July 1997 through July 2005, Mr. Allen was a consultant to and Advisory Director of Delta. Mr. Allen has been a Director of The Coca-Cola Company since 1991 and Aircastle Limited since 2006. He previously served as a Director of Interstate Hotels & Resorts, Inc. from 2006 to 2010 and Guided Therapeutics Inc. from 2008 to January 31, 2014. The Board believes Mr. Allen brings a significant depth of leadership and governance experience to the Company's Board.

BRUCE A. CAMPBELL Director since 1993
Greeneville, Tennessee Age 63

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 25 years, has served as its Chief Executive Officer for over 10 years and its Chairman for over 6 years. The Board believes that Mr. Campbell possesses a wealth of industry knowledge, experience and expertise and has been a strong, proven leader of the Company.

C. ROBERT CAMPBELL Director since 2005
Coral Gables, Florida Age 70

Mr. Campbell is the Lead Independent Director of the Company and has served the Company as such since May 2014. He served as Executive Vice President and Chief Financial Officer of MasTec, Inc., a leading communications and energy infrastructure service provider in North America, from October 2004 until December 2013. Mr. Campbell has over 25 years of senior financial management experience. From January 2002 to October 2004, Mr. Campbell was Executive Vice President and Chief Financial Officer for TIMCO Aviation Services, Inc. Mr. Campbell was the President and Chief Executive Officer of BAX Global, Inc. from April 1998 to June 2000. He served as Executive Vice President-Finance and Chief Financial Officer for Advantica Restaurant Group, Inc. from March 1995 to March 1998. Also, Mr. Campbell worked for Ryder System, Inc., for over 20 years including serving for 10 years as Executive Vice President and Chief Financial Officer for its Vehicle Leasing and Services Division. Mr. Campbell is a Certified Public Accountant. 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 logistics companies and served as a Chief Financial Officer for a publicly-traded concern, until his retirement in December 2013. Mr. Campbell is also a Director of Pernix Group, Inc.

C. JOHN LANGLEY, JR., Ph.D. Director since 2004
Knoxville, Tennessee Age 69

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 as Professor of Supply Chain Management at the Georgia Institute of Technology from September 2001 until October 2010, and from September 1973 until July 2001, he was the John H. Dove Professor of Logistics and Transportation at the University of Tennessee. Dr. Langley has spent over 40 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 55

Ms. Leinbach served as Lead Independent Director of the Company from January 2012 to May 2014. She was Executive Vice President and Chief Financial Officer of Ryder System, Inc. ("Ryder"), 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 Senior Vice President, Field Management from July 2000 to September 2000. Ms. Leinbach was Managing Director-Europe of Ryder Transportation Services from January 1999 to July 2000, and she served Ryder Transportation Services as its Senior Vice President and Chief Financial Officer from 1998 to January 1999, its Senior Vice President, Business Services from 1997 to 1998, and its Senior Vice President, Purchasing and Asset Management for six months during 1996. From 1985 to 1996, Ms. Leinbach held various leadership roles in Ryder (and its subsidiaries) in multiple areas, including operations, salary and finance. Including her service on the Company's Board, Ms. Leinbach has worked in the transportation industry for over 25 years, and the Board believes that she brings that experience to the Company and is an instrumental contributor in discussions of corporate strategy and risk. Ms. Leinbach also serves as a Director of Hasbro, Inc. and Veritiv Corporation.

LARRY D. LEINWEBER Director since 2011
Bloomfield Hills, Michigan Age 73

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 Chief Executive Officer for a software and service division of Citicorp. Earlier in his career, he was a co-founder and President of Advanced Computer Management Corporation. Mr. Leinweber brings to the Board significant experience in executive leadership, strategy and innovation.

G. MICHAEL LYNCH Director since 2005
Greensboro, Georgia Age 71

Mr. Lynch served as Lead Independent Director of the Company from January 2009 to December 2011. He was Executive Vice President and Chief Financial Officer and a member of the Strategy Board for Federal-Mogul Corporation ("Federal Mogul") from July 2000 until March 2008. Federal-Mogul is a global manufacturer and marketer of automotive component parts. Prior to joining Federal-Mogul in July 2000, Mr. Lynch worked at Dow Chemical Company, where he was Vice President and Controller. Mr. Lynch also spent 29 years at Ford Motor Company ("Ford"), where his most recent position was Controller, automotive components division, which ultimately became Visteon Corporation. While at Ford, Mr. Lynch held a number of varied financial assignments, including Executive Vice President and Chief Financial Officer of Ford New Holland. Mr. Lynch brings over 40 years experience of serving in key positions with Fortune 500 companies, and approximately 10 years experience serving as a director on public company boards. The Board believes that Mr. Lynch utilizes that experience in his service as a member of the Corporate Governance and Nominating Committee and the Audit Committee. Mr. Lynch served as Director for Champion Enterprises, Inc. until March 2011.

GARY L. PAXTON Director since 2007
Tulsa, Oklahoma Age 68

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 Chief Executive Officer 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. The Board believes that Mr. Paxton brings 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 their 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 eight of the Company's nine 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, 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 90 calendar days prior to the one year anniversary of the prior year's Annual Meeting of Shareholders and include all required information to be considered. In the case of the 2016 Annual Meeting of Shareholders, this deadline is February 12, 2016. 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.

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 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 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 2014, the Board of Directors held five meetings. All of the incumbent directors who were on the Board during 2014 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 2014. There were only eight directors at the time of the 2014 Annual Meeting of Shareholders, and all eight of the incumbent directors attended the 2014 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 2014 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	**Audit**	**Compensation**	**Executive**	**Corporate Governance and Nominating**
Bruce A. Campbell			X	
C. Robert Campbell			X	
C. John Langley, Jr.		Chair		
Tracy A. Leinbach		X		X
Larry D. Leinweber	X			X
G. Michael Lynch	X		X	Chair
Gary L. Paxton	Chair			
Ronald W. Allen		X		
Number of Meetings in 2014	4	5	0	3

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 37 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 Audit Committee member, G. Michael Lynch, 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 four meetings during 2014.

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 pages 16 – 27 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 engaged Meridian Compensation Partners, LLC ("Meridian"), an independent consultant, to assist it during 2014. During the year, the consultant reviewed materials prepared by management and provided the Committee with information on compensation trends, best practices and changes in the regulatory environment, in addition to providing executive compensation benchmarking information. Meridian provided no services other than those related to executive and director pay and related governance.

The Compensation Committee, considering all relevant factors, including those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is not aware of any conflict of interest that has been raised by the work performed by Meridian.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become Board members and recommending them to the 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.

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, C. Robert Campbell serves as Lead Independent Director and he has served in that capacity since May of 2014.

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

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 Independent 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 Independent Director also has the authority to call meetings of the independent directors.

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

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

Risk Oversight

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

DIRECTOR COMPENSATION

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

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

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

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

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

In addition, effective May 22, 2007, the Company's shareholders approved the Company's Amended and Restated Non-Employee Director Stock Plan, as further amended on February 8, 2013 (the "Amended Plan"). Under the Amended Plan, on the first business day after each Annual Meeting of Shareholders, each non-employee director is automatically granted an award (the "Annual Grant") in such form and size as the Board determines from year to year. Unless otherwise determined by the Board, the Annual Grants will become vested and non-forfeitable on the earlier of (a) the day immediately prior to the first Annual Meeting that occurs after the grant date or (b) the first anniversary of the grant date, so long as the non-employee director's service with the Company does not earlier terminate. In 2014, each non-employee director, except Ronald W. Allen, received shares of restricted common stock valued at $85,984 pursuant to the Amended Plan. Mr. Allen, who was elected to the Company's Board of Directors on November 26, 2014, received shares of restricted common stock valued at $48,377 pursuant to the Amended Plan, which represented a pro rata grant for the period of his service.

Finally, the Board believes that directors more effectively represent the Company's shareholders, whose interests they are charged with protecting, if they are shareholders themselves. Therefore, the Board established certain independent director stock ownership guidelines which are set forth in the Company's Corporate Governance Guidelines. Specifically, the Company's independent directors are required to own shares of the Company's common stock, with a value equal to at least three times the annual cash retainer for independent directors. Each new independent director has three years from the date he or she joins the Board to obtain this ownership stake. Each independent director has achieved the stock ownership guideline set forth in the Company's Corporate Governance Guidelines. The following table shows the compensation we paid in 2014 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 ($) (2)	Total ($)
Ronald W. Allen	$ -	$ 48,377	$ -	$ 48,377
C. Robert Campbell	110,385	85,984	862	197,231
C. John Langley, Jr.	60,970	85,984	862	147,816
Tracy A. Leinbach	75,012	85,984	862	161,858
Larry D. Leinweber	64,204	85,984	862	151,050
G. Michael Lynch	65,121	85,984	862	151,967
Ray A. Mundy	64,186	85,984	862	151,032
Gary L. Paxton	63,241	85,984	862	150,087

(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, 2014 filed with the SEC.

(2) Represents dividend payments or dividend equivalents on non-vested restricted shares or deferred stock unit awards granted during 2014 and 2013. These dividend payments are non-forfeitable.

The following table indicates the aggregate number of outstanding options held by each incumbent director at the end of 2014, and the aggregate number of deferred stock units or non-vested restricted shares held by each incumbent director at the end of 2014 and those shares or units that have not yet vested.

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Shares or Units of Stock Held That Have Not Vested
Ronald W. Allen	-	995
C. Robert Campbell	-	7,013
C. John Langley, Jr.	7,500	1,989
Tracy A. Leinbach	-	11,660
Larry D. Leinweber	-	1,989
G. Michael Lynch	-	1,989
Ray A. Mundy	18,750	4,856
Gary L. Paxton	-	1,989

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.

Compensation Committee Interlocks and Insider Participation

During 2014, none of the members of the Compensation Committee was an officer or employee of the Company, and no executive officer of the Company served on the Compensation Committee or board of any company that employed any member of the Company's Compensation Committee or Board of Directors. Accordingly, there were no interlocks with other companies within the meaning of the SEC's proxy rules during 2014. From January 1, 2014 to May 7, 2014, the Compensation Committee members consisted of Gary L. Paxton (Chair), C. John Langley, Jr. and Larry D. Leinweber. From May 8, 2014 to November 26, 2014, the Compensation Committee consisted of C. John Langley (Chair), Tracy A. Leinbach and Ray A. Mundy. On November 26, 2014, Ronald W. Allen joined the Compensation Committee and serves on that Committee to the present date.

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, 2014.

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	436,284	(4)		1.4
Ronald W. Allen	6,830	(5)		*
C. Robert Campbell	20,476	(6)		*
C. John Langley, Jr.	19,254	(7)		*
Tracy A. Leinbach	21,643	(8)		*
Larry D. Leinweber	9,913	(9)		*
G. Michael Lynch	13,560	(10)		*
Ray A. Mundy	44,578	(11)		*
Gary L. Paxton	16,384	(12)		*
Rodney L. Bell	202,129	(13)		*
Michael L. Hance	55,332	(14)		*
Matthew J. Jewell	106,614	(15)		*
Chris C. Ruble	41,391	(16)	(17)	*
All directors and executive officers as a group (15) persons	1,087,522	(18)		3.5
Other Principal Shareholders				
BlackRock, Inc.	2,593,727	(19)		8.6
Royce & Associates, LLC	2,501,578	(20)		8.3
Columbia Wanger Asset Management, LLC	1,636,200	(21)		5.4
Neuberger Berman Group LLC	2,251,774	(22)		7.4
The Vanguard Group, Inc.	2,046,767	(23)		6.8

* 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 30,954,111 shares of common stock outstanding on the Record Date.
(3) The percentages shown for other principal shareholders are based on 30,255,182 shares of common stock outstanding on December 31, 2014.
(4) Includes 286,725 options that are fully exercisable and 14,795 non-vested restricted shares
(5) Includes 995 non-vested restricted shares
(6) Includes 1,989 non-vested restricted shares and 5,025 deferred stock units
(7) Includes 1,989 non-vested restricted shares
(8) Includes 1,989 non-vested restricted shares and 9,671 deferred stock units
(9) Includes 1,989 non-vested restricted shares
(10) Includes 1,989 non-vested restricted shares
(11) Includes 1,989 non-vested restricted shares and 2,867 deferred stock units
(12) Includes 1,989 non-vested restricted shares

(13) Includes 124,176 options that are fully exercisable and 4,882 non-vested restricted shares

(14) Includes 42,610 options that are fully exercisable and 3,648 non-vested restricted shares

(15) Includes 78,619 options that are fully exercisable and 4,882 non-vested restricted shares

(16) Includes 28,619 options that are fully exercisable and 4,882 non-vested restricted shares

(17) Includes 29 shares of Common Stock owned by Mr. Ruble's child with whom he shares voting and investment power with respect to such shares

(18) Includes 53,857 non-vested restricted shares, 630,359 options that are fully exercisable and 17,563 deferred stock units

(19) BlackRock, Inc. ("BlackRock"), 40 East 52nd Street, New York, New York 10022, reported beneficial ownership of the shares as of December 31, 2014 in a Schedule 13G/A filed with the SEC. BlackRock, an investment adviser, reported having sole voting power over 2,523,067 shares and sole dispositive power over 2,593,727 shares.

(20) Royce & Associates, LLC ("Royce"), 745 Fifth Avenue, New York, New York 10151, reported beneficial ownership of the shares as of December 31, 2014 in a Schedule 13G/A filed with the SEC. Royce, an investment adviser, reported having sole voting and dispositive power over 2,501,578 shares.

(21) 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, 2014 in a Schedule 13G/A filed with the SEC. Columbia, an investment adviser, reported having sole voting power over 1,536,200 shares and sole dispositive power over 1,636,200 shares.

(22) Neuberger Berman Group LLC ("Neuberger"), 605 Third Avenue, New York, New York 10158, reported beneficial ownership of the shares as of December 31, 2014 in a Schedule 13G/A filed with the SEC. Neuberger, an investment adviser, reported having shared voting power over 2,246,274 shares, shared dispositive power over 2,251,774 shares.

(23) The Vanguard Group, Inc. ("Vanguard"), 100 Vanguard Boulevard, Malvern, Pennsylvania 19355, reported beneficial ownership of the shares as of December 31, 2014 in a Schedule 13G/A filed with the SEC. Vanguard, an investment adviser, reported having sole voting power over 43,073 shares, shared dispositive power over 40,773 shares and sole dispositive power over 2,005,994 shares.

EXECUTIVE COMPENSATION

Compensation Discussion And Analysis

Compensation Philosophy and Objectives

The Compensation Committee (the "Committee" for purposes of the Compensation Discussion and Analysis) has 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. The Committee's objective is to align the Company's executives' interests with the Company's 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, the Committee believes that executive compensation should recognize the contributions of individual executives to the Company's goals and objectives and should be market competitive. Thus, while executive compensation should be directly linked to Company performance, it should also be an incentive for executives to continually improve individual performance.

In order to meet its objectives of attracting, developing, rewarding and retaining superior executive management, the Committee utilizes a compensation package that considers the compensation of similarly situated executives in the market, the tenure of the executive and the value of the executive to the organization. It uses annual cash incentives tied to the Company's performance measured against pre-established financial and individual objectives. Also, the Committee provides long-term compensation opportunities to reward performance of the Company measured against established goals, to encourage retention of its executive management team, to foster executive ownership in the Company and to align the executives' long-term compensation directly with the shareholder's long-term value.

Key Elements of Compensation Plan Design

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

- Pay opportunities for executives that are appropriate to the size of the Company;
- A pay program that is heavily performance-based using multiple performance measures;
- Full disclosure of the financial performance metrics and goals used in our incentives;
- A long-term incentive program aligned with shareholders through a link to stock price and measurement of stock performance versus peer companies;
- Equity-based incentive plans that prohibit backdating and repricing of stock options;
- Few perquisites and no tax gross-ups on perquisites;
- Executive stock ownership and retention guidelines;
- Prohibition against hedging and pledging;
- Designs that reward prudent risk-taking;
- Moderate severance;
- Conservative change-in-control severance amounts and no excise tax gross-ups;
- Beginning with 2016 grants, double-trigger vesting on long-term equity awards; and
- Retention of an independent compensation consultant engaged by, and who reports directly to, the Committee.

2014 in Brief

During the year ended December 31, 2014, the Company experienced significant year-over-year increases in its consolidated revenues and results from operations.

- Operating revenue increased by $128.5 million, or 19.7%, to $781 million for the year ended December 31, 2014 from $652.5 million for the year ended December 31, 2013.

- Income from operations improved to $96.4 million for the year ended December 31, 2014 from $84.4 million in the prior year, up 14.2%.

- On February 2, 2014, we acquired all of the outstanding capital stock of Central States Trucking Co. and Central States Logistics, Inc. (collectively referred to as "CST"). CST provides industry leading container and intermodal drayage services primarily within the Midwest region of the United States. CST also provides dedicated contract and Container Freight Station warehouse and handling services.

- The Company's operating activities generated $91.7 million of net cash for the year ended December 31, 2014 and after utilizing $127.7 million in investing activities in 2014, the Company maintained a strong balance sheet, with approximately $41.4 million of cash and cash-equivalents at fiscal year-end.

Under this backdrop of improved Company performance, our pay-for-performance philosophy and the design of our pay programs led to the following Committee actions and plan payouts to our Named Executive Officers for 2014:

- *Base salaries.*

  - Approved modest base salary increases of 1.7% effective in January 2014 to our Named Executive Officers (other than the CEO). Mr. Campbell, the CEO, received a base salary increase of 5% after receiving no base salary increase in 2013.

  - In connection with May 2014 promotions for Mr. Jewell and Mr. Hance, approved base salary increases, of 19.8% and 21.3%, respectively. Mr. Jewell was promoted to Executive Vice President of Intermodal Services and Chief Strategy Officer, and Mr. Hance was promoted to Senior Vice President, Chief Legal Officer and Secretary.

- *Short-term incentive payouts*. Approved payouts under our annual incentive plan at 44.9% of target.

- *Long-term performance plan payouts*. Approved payouts for our February 2012-February 2015 performance share grant equal to 100% of target based on our 3-year relative total shareholder return against peers at the median of our transportation peer group.

Role of Shareholder Say-on-Pay Vote

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a "say-on-pay proposal"). At the Company's annual meeting of shareholders held in May 2014, approximately 98.87% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Committee believes this outcome affirms shareholders' support of the Company's approach to executive compensation and did not change its approach in 2014 based upon the results of this advisory vote. The Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the Named Executive Officers.

Role of the Compensation Committee

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

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

Role of the Compensation Consultant

The Committee has selected and directly retains the services of Meridian Compensation Partners, LLC ("Meridian"). The Committee periodically seeks input from Meridian on a range of external market factors, including evolving compensation trends, appropriate peer companies and market survey data. Meridian also provides general observations on the Company's compensation programs, but it does not determine or recommend the amount or form of compensation for the Named Executive Officers. During 2014, Meridian attended four out of the five Committee meetings.

Role of Executive Officers in Compensation Decisions

At the request of the Compensation Committee, 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. In forming his recommendations, he considers information provided by the Senior Vice President of Human Resources and assessments of individual contributions, achievement of performance objectives and other qualitative factors. While the Committee gives great weight to the recommendations of the 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. The CEO does not make recommendations concerning his own compensation and is not present during deliberations and voting regarding his own compensation.

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

Setting Executive Compensation

Based on the foregoing objectives, we have structured the Company's executive compensation to motivate executives to achieve the business goals set by the Company and to reward the executives for achieving such goals.

For the fiscal year ended December 31, 2014, 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.

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

At the beginning of 2014, the Compensation Committee established a Total Target Compensation for each Named Executive Officer comprised of base pay, annual incentives and long-term incentives ("LTI"). In May 2014, the Committee adjusted the Total Target Compensation it originally established for Messrs. Jewell and Hance in connection with Mr. Jewell's promotion to Executive Vice President of Intermodal Services and Chief Strategy Officer and Mr. Hance's promotion to Senior Vice President, Chief Legal Officer and Secretary. The Committee used market data prepared by its independent compensation consultant from Aon Hewitt's Total Compensation Measurement general industry database providing pay opportunities at the size-adjusted 50^{th} percentile of the market for executives holding similar positions. The Committee considered the data as one of the factors in considering an executive's target total compensation, but also considered other factors such as the experience level of the individual, the value of the individual executive to the Company, the individual's level within the Company, existing and prior year awards for the individual and other factors.

In 2014, the Total Target Compensation set at the beginning of the year for the Named Executive Officers (and as adjusted in May 2014 for Messrs. Jewell and Hance) was:

NEO	Base Salary	Target Annual Incentive	Target Long-Term Incentive	Total Target Compensation
Mr. Campbell	$ 629,999	$ 629,999	$ 1,000,000	$ 2,259,998
Mr. Bell	339,000	254,000	330,000	923,000
Mr. Jewell	406,000	304,500	330,000	1,040,500
Mr. Ruble	407,000	305,000	330,000	1,042,000
Mr. Hance	330,000	247,500	180,000	757,500

The compensation that an executive actually receives will differ from that executive's target compensation for a variety of reasons. Base salary increases, annual incentive awards and long-term incentive awards received are based on achievement of individual and business objectives. Additionally, compensation realized from long-term incentive awards are dependent upon stock price increases, stock performance versus peer companies and/or continued employment.

Base Salary

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

Base salary ranges for 2014 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 also considers factors such as internal pay equity, 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. The base salaries for the Named Executive Officers for the fiscal year ended December 31, 2014 are set forth in the "Salary" column of the Summary Compensation Table on page 28 of this Proxy Statement.

Annual Incentive Compensation

The objective of our annual incentive program is to provide focus on attaining specific business goals that lead to our long-term success, encourage growth in shareholder value, and promote and encourage retention of the Company's executive talent. The plan is designed to reward achievement of year-over-year operating income growth and achievement of individual objectives important to the Company's short-term and long-term success. Payments made under the annual incentive compensation program to the Named Executive Officers are made, in cash, and correspond to a certain percentage of the executive's pay, as described in more detail below.

2014 Target Annual Incentive Plan Opportunity. Each executive's Annual Incentive Plan target opportunity for 2014 is shown below.

Annual Incentive Plan Target Opportunities

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

In 2014, the Company's annual incentive program for the Named Executive Officers consisted of two components. Eighty percent (80%) of the Named Executive Officers' total incentive opportunity was based on the Company's annual operating income performance measured against a specific pre-established goal. The remaining twenty percent (20%) was based on the achievement of their individual objectives. Each element could pay from 0% to 2X target based on performance.

Operating Income Goals. The Committee established operating income goals for 2014 and corresponding incentive payments for achievement of such goals. The 2014 operating income incentive payment grid was as shown below. Payout for performance between points was interpolated on a straight-line basis, and the Committee retained 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:

Operating Income Component of Annual Incentive Plan			
	Operating Income (In thousands)	**Increase over Prior Year Actual**	**Possible Payout as Percentage of Total Target Annual Incentive Opportunity**
Threshold	$89,855	6.5%	0%
Target	$110,868	31.4%	80%
Maximum	$121,955	44.6%	160%

Individual Objectives. Individual personal objectives specific to each executive officer position were set at the start of the fiscal year. At the end of the fiscal year, the CEO used his judgment to evaluate the performance of the other Named Executive Officers against those personal objectives, taking into account the extent to which the goals were met; unforeseen financial, operational and strategic issues of the Company; and any other information deemed relevant. The Compensation Committee reviewed and approved this performance evaluation and evaluated the performance of the CEO in a similar manner with input from the full Board.

The 2014 individual objectives payout opportunities were as shown in the chart below. From zero percent (0%) to the Maximum award amount described in the chart below, the Committee had discretion as to the exact amount of awards, if any, made in connection with an executive's attainment of the executive's individual objectives.

Individual Objectives Component of Annual Incentive Plan	
	Possible Payout as Percentage of Total Target Annual Incentive Opportunity
Threshold	0%
Target	20%
Maximum	40%

2014 Annual Incentive Payout. The Committee met in February 2015 to determine whether the Company's 2014 performance merited payment to the Named Executive Officers under the annual incentive compensation plan, and, if so, to determine the amount of such incentive awards.

- Operating income performance: The Company's income from operations improved to $96.4 million for the year ended December 31, 2014 from $84.4 million in the prior year, up 14.2%, generating a payout of 31.2% of target for that portion of the award.

- Individual Performance:

  The Committee also considered performance against the individual objectives set for the Named Executive Officers. In 2014, those individual objectives encompassed:

  - contributions to meeting established corporate and departmental goals;
  - contributions to the Company's acquisition activities;
  - managing resources within established departmental budgets; and
  - effectiveness and development in areas of leadership, planning and teamwork.

  After a performance appraisal of each executive officer and a review of their achievement of the personal goals which had been set for them, Mr. Campbell recommended to the Committee an achievement of 100% of target for each Named

Executive Officer's personal individual objectives, which they approved. The Compensation Committee evaluated the performance of the CEO in a similar manner, and based on its review determined that Mr. Campbell also achieved his personal individual objectives for 2014 at target levels. The actual awards made to each Named Executive Officer under the Operating Income and Individual Objectives Component of the Annual Incentive Plan are shown in the chart below.

Executive	Operating Income Component	Individual Objectives Component	Total Payout Under 2014 Annual Incentive Plan
Mr. Campbell	$ 157,150	$ 125,999	$ 283,149
Mr. Bell	63,358	50,799	114,157
Mr. Jewell	75,956	60,900	136,856
Mr. Ruble	76,105	61,020	137,125
Mr. Hance	61,737	49,500	111,237

For the total incentive award amounts granted to the Named Executive Officers under the Annual Incentive Plan in 2014, please see the amounts set forth in the "Non-equity Incentive Plan" column of the Summary Compensation Table on page 28 of this Proxy Statement.

Long-Term Equity Incentive Awards

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

At the beginning of 2014, the Committee established target values for each Named Executive Officer for the total LTI component equal to 2013 target values and again made grants consisting of one-third each stock options, restricted stock and performance shares. Each is discussed in more detail below.

Stock Options. A stock option is the right to purchase the Company's stock at a fixed price for a defined period of time. In 2014, grant sizes of stock options for the Named Executive Officers were calculated generally by multiplying the target LTI economic value by the 33.3% weighting assigned to the options component and dividing it by the value of a single option determined under the Black-Scholes methodology and based on assumptions used for recognizing expense in our financial statements contained in our Annual Report in accordance with generally accepted accounting principles ("GAAP"). For the 2014 option grant, the grant date fair value was $14.95.

The exercise price for options was equal to the fair market value of the Company's Common Stock on the date the option is granted, $42.48. The options vest evenly over a three-year period. Options granted to Mr. Campbell in 2014 were subject to a financial performance standard whereby vesting was contingent upon the Company's achievement of pre-established operating income goals within a three-year period. All of the options granted to the Named Executive Officers will expire if not exercised within seven years of the grant date. To the extent not earlier vested, these options will vest upon the death or disability of the recipient, as well as upon a "Change in Control," as such term is defined in the Amended and Restated Stock Option and Incentive Plan (the "Stock Incentive Plan").

Restricted Stock. A share of restricted stock is a share of the Company's stock subject to vesting requirements based on continued employment. Restricted stock grant sizes are calculated generally by multiplying the target LTI economic value by the 33.3% weighting assigned to the restricted stock component and dividing it by the value of a single share of restricted stock determined using the estimated grant date fair value, $42.48.

Restricted stock awards are restricted from sale or transfer until vesting occurs, and restrictions lapse in three equal installments beginning one year after the date of grant. Dividends are paid in cash on a current basis throughout the vesting period. To the extent not earlier vested, restricted stock awards 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 Stock Incentive Plan.

Performance Shares. A performance share is the right to receive a share of Company stock based upon the achievement of certain performance criteria. Performance share grant sizes were calculated by multiplying the target LTI economic value by the 33.3% weighting assigned to the performance share component and dividing it by the value of a single performance share determined using a Monte Carlo valuation model, $48.24.

Performance shares are earned on the basis of our Total Shareholder Return ("TSR") measured over a three year period, relative to the TSR of the following 12 companies: C.H. Robinson Worldwide, Inc.; Con-way, Inc.; Expeditors International of Washington, Inc.; FedEx Corporation; Hub Group, Inc.; J.B. Hunt Transport Services, Inc.; Knight Transportation, Inc.; Landstar System, Inc.; Old Dominion Freight Line, Inc.; United Parcel Service, Inc.; UTi Worldwide, Inc.; and Werner Enterprises, Inc.

- TSR reflects price appreciation and reinvestment of dividends.
- Share price appreciation is measured as the difference between the beginning market price and the ending market price of our shares.

  - The beginning market price equals the average closing price on the 30 trading days immediately preceding and including the first day of the performance period.
  - The ending market price equals the average closing price on the last 30 trading days of the performance period.

The actual number of performance shares earned is based on our TSR versus the TSRs of the comparator group companies described above during the three-year performance period. The performance shares pay out in shares of our common stock, shortly after the close of the three-year performance period, in a range of 0 percent to 200 percent of the number of performance shares awarded. The chart set forth below determined the percent of a target award paid for grants made through 2014. Payout for performance between points is calculated using straight-line interpolation.

Performance Level	Payout (as a % of Target)
90th percentile or higher	200%
70th percentile	150%
50th percentile	100%
30th percentile	50%
Below 30th percentile	0%

Prior to making grants for 2015, we researched TSR scales for other companies and found that use of a 25th percentile threshold was median practice. We also calculated that the current scale had an average possible payout of less than target, and that using a 25th percentile threshold would bring the average possible payout to exactly 100% of target. For those reasons, for 2015 grants, 25th percentile was inserted in place of 30th percentile in the table above. The new scale has a 25% probability of a zero payout.

Dividends are not paid on unvested performance shares. Outstanding performance shares 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 Stock Incentive Plan.

Equity-based awards. The value to the executive of each of the three components comprising long-term equity compensation in 2014 (stock options, restricted stock and performance shares) is impacted by the performance of the Company's stock.

- A stock option provides value to the executive only if share price increases.
- Restricted stock becomes more valuable to the executive only if the Company's stock price increases, and the executive shares in the downside risk of a decline in the Company's stock price.

- The number of performance shares earned, if any, will depend on how the Company's stock performs against transportation industry peers.

As it is possible that there will be no payout under the performance shares or stock options, these awards are completely "at-risk" compensation. This accomplishes the Company's goal of creating a pay-for-performance culture at the executive level, while striking the appropriate balance between risk, retention and reward.

Awards made to the Named Executive Officers under the Stock Incentive Plan for the fiscal year ended December 31, 2014 are set forth in the Grants of Plan-Based Awards for Fiscal 2014 Table on page 30 of this Proxy Statement.

Payout of 2012 Performance Shares. The Performance Shares awarded in February 2012 were paid out based on their terms after the 3-year Performance Period ended in February 2015. Based on TSR of 42.5% ranking at the 50th percentile of our transportation industry peer group, the payouts were 100% of target.

Retirement and Other Benefits

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

All full-time Company employees, including the Named Executive Officers, are entitled to participate in the Company's 401(k) retirement savings plan. Under the Company's 401(k) retirement savings plan, for each pay period, the Company provides a $.25 matching contribution for every dollar an employee elects to defer into the 401(k) plan. However, this $.25 matching contribution is limited to elective deferrals up to 6% of the employee's compensation for the pay period. The Company's matching contribution is subject to the rules and regulations on maximum contributions by individuals under such a plan. Matching contributions to the Named Executive Officers for the fiscal year ended December 31, 2014 are reflected in the "401(k) Match" column of the All Other Compensation Table on page 29 of this Proxy Statement.

Additionally, all full-time employees of the Company, including the Named Executive Officers, 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.

The Named Executive Officers are also eligible to participate in the Company's health, dental, disability and other insurance plans on the same terms and at the same cost as such plans are available to all of the Company's full-time employees. 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.

Perquisites

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. We choose to pay them to meet the objective of creating a competitive advantage for attracting and retaining 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 perquisites provided to our Named Executive Officers, in the aggregate, comprise less than 1.0% of their total compensation. The amounts of such benefits received by each Named Executive Officer for the fiscal year ended December 31, 2014 are set forth in the "Car Allowance and Commuting Expenses" column of the All Other Compensation Table on page 29 of this Proxy Statement.

Severance Arrangements

The Company maintains an employment agreement with Mr. Campbell, which was put in place to secure his services and provide for certain benefits upon termination of employment, and also to protect the Company's interests by imposing confidentiality, noncompetition, non-solicitation and other restrictive covenants. Under Mr. Campbell's Employment Agreement, described in detail below, 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. In the event of a change in control, Mr. Campbell may elect to resign and receive (i) his base salary for one year 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. The payments due to Mr. Campbell in the event he is terminated without "just cause" or following a change in control are set forth in the "Termination without Cause" column of the 2014 Potential Payments upon Termination, Change of Control, Death and Disability Table on page 35 of this Proxy Statement.

Our other executive officers do not have employment contracts, and prior to 2013, were not covered under any form of change in control agreements. However, in 2012, the Company adopted an executive severance and change in control plan (the "Severance Plan"), which became effective January 1, 2013. All Named Executive Officers (other than the CEO whose severance is governed by the terms of his employment agreement), along with other senior officers of the Company, are participants in the Severance Plan. The objectives of the Severance Plan are to enhance the attraction and retention of executive talent during corporate upheaval, enable management to evaluate and support potential transactions that might be beneficial to shareholders even though the result would be a change in control of the Company, and obtain important corporate protections upon terminations of employment. The plan is designed to reward executives for remaining employed when their prospects for continued employment following a change in control or other corporate upheaval may be uncertain. We chose to adopt the plan to protect shareholder value in such events by increasing the possibility of retaining an intact management team.

The severance benefits available to our Named Executive Officers under the Severance Plan are described in more detail under the Section entitled "Potential Payments upon Termination, Change of Control, Death or Disability" on pages 34 – 36 of this Proxy Statement and in the table set forth on page 35 of that Section.

Tax and Accounting Implications

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

Deductibility of Executive Compensation. Section 162(m) of the Internal Revenue Code generally disallows a federal income tax deduction to public corporations for compensation greater than $1 million paid for any fiscal year to the corporation's chief executive officer and to the three most highly compensated executive officers other than the chief executive officer or chief financial officer. However, certain forms of performance-based compensation are excluded from the $1 million deduction limit if specific requirements are met. It is the policy of the Committee to periodically evaluate the qualification of compensation for exclusion from the $1 million deduction limit under Section 162(m) of the 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.

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

Other Compensation and Governance Policies

Risk Management

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

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

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

Committee processes mitigating risk include:

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

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

Stock Ownership Guidelines

The Company has adopted executive stock ownership and retention guidelines (the "Ownership Guidelines"). These Ownership Guidelines are applicable to the Company's executive officers, including the Named Executive Officers, and other executives holding a title of senior vice president or above. The Company's Ownership Guidelines are designed to increase executives' equity stakes in the Company and to align executives' interests more closely with those of shareholders. The Ownership Guidelines require covered executives to own, and hold during his or her tenure with the Company, shares of the Company's common stock sufficient in number to satisfy the relevant amount specified below as a multiple of the executive's annual base salary:

Position	Value of Common Stock to be Owned
Chief Executive Officer	3 times base salary
Executive Vice Presidents and Senior Vice Presidents	2 times base salary
Chief Accounting Officer	1 times base salary

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

Prohibition Against Hedging and Pledging

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

Policy on Recoupment of Executive Compensation

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

Prohibition on Repricing Without Shareholder Approval

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

Compensation Committee Report on Executive Compensation

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

Submitted by:
C. John Langley, Chairman
Tracy A. Leinbach
Ray A. Mundy
Ronald W. Allen
The Compensation Committee of the Board of Directors

Summary Compensation Table

The following table shows the compensation earned in 2014, 2013 and 2012 by the Named Executive Officers.

Name & Principal Position	Year	Salary ($)	Stock Award(s) ($) (1)	Option Award(s) ($) (2)	Payments Under Non-Equity Incentive Plans ($) (3)	All Other Compensation ($) (4)	Total
Bruce A. Campbell Chairman, President and Chief Executive Officer	2014	$ 629,999	$ 666,588	$ 332,858	$ 283,150	$ 23,867	$ 1,936,462
	2013	600,000	666,659	333,254	120,000	23,204	1,743,117
	2012	600,000	666,598	334,455	145,800	20,351	1,767,204
Rodney L. Bell Senior Vice President and Chief Financial Officer	2014	338,661	219,968	109,837	114,157	20,185	802,808
	2013	324,000	219,952	109,969	49,950	19,934	723,805
	2012	302,560	219,945	110,368	73,522	16,452	722,847
Matthew J. Jewell Executive Vice President, Intermodal Services and Chief Strategy Officer	2014	338,661	219,968	109,837	136,856	15,941	821,263
	2013	324,000	219,952	109,969	49,950	17,284	721,155
	2012	302,560	219,945	110,368	73,522	15,700	722,095
Chris C. Ruble Executive Vice President, Operations	2014	406,800	219,968	109,837	137,126	18,016	891,747
	2013	391,000	219,952	109,969	60,000	17,431	798,352
	2012	346,580	219,945	110,368	84,219	14,635	775,747
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	2014	315,628	119,944	59,918	111,238	17,582	624,310
	2013	267,800	119,952	59,979	26,780	17,479	491,990
	2012	260,000	119,948	60,199	82,865	17,447	540,459

(1) Represents the aggregate grant date fair value of non-vested restricted share and performance share awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The awards for which the aggregate grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2014 Table on page 30 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, 2014, filed with the SEC.

(2) Represents the aggregate grant date fair value of stock option awards. The fair values of these awards were determined in accordance with FASB ASC Topic 718. The awards for which the aggregate grant date fair value is shown in this table include the awards described in the Grants of Plan-Based Awards for Fiscal 2014 Table on page 30 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, 2014, filed with the SEC.

(3) Represents cash incentives earned under the 2014 Annual Cash Incentive Plan.

(4) See the All Other Compensation Table on page 29 of this Proxy Statement for additional information.

All Other Compensation Table

The following table shows the components of "all other compensation" earned in 2014, 2013 and 2012 by the Named Executive Officers.

Name & Principal Position	Year	Total All Other	Car Allowance & Commuting Expenses (1)	401(k) Match (2)	Dividends (3)	Long-term Disability Insurance (4)
Bruce A. Campbell Chairman, President and Chief Executive Officer	2014	$ 23,867	$ 9,000	$ 3,809	$ 8,097	$ 2,961
	2013	23,204	9,602	3,072	7,668	2,862
	2012	20,351	10,089	4,300	3,100	2,862
Rodney L. Bell Senior Vice President and Chief Financial Officer	2014	20,185	11,461	4,460	2,672	1,592
	2013	19,934	11,708	4,131	2,530	1,565
	2012	16,452	11,716	2,291	1,023	1,422
Matthew J. Jewell Executive Vice President, Intermodal Services and Chief Strategy Officer	2014	15,941	9,000	2,361	2,672	1,908
	2013	17,284	9,000	4,189	2,530	1,565
	2012	15,700	9,000	4,255	1,023	1,422
Chris C. Ruble Executive Vice President, Operations	2014	18,016	9,000	4,432	2,672	1,912
	2013	17,431	9,000	4,021	2,530	1,880
	2012	14,635	9,000	2,983	1,023	1,629
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	2014	17,582	10,827	3,747	1,457	1,551
	2013	17,479	11,173	3,375	1,380	1,551
	2012	17,447	11,057	4,281	558	1,551

(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 during 2014 on all non-vested restricted shares held by the executive. These dividend payments are nonforfeitable.
(4) Represents premiums paid by the Company for long-term disability insurance for officers of the Company.

Grants of Plan-Based Awards for Fiscal 2014

The following table shows the plan-based awards granted to the Named Executive Officers in 2014.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Shares to be Issued Under Equity Incentive Plan Awards (1)						
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold	Target	Maximum	All Other Stock Awards; Numbers of Stock (2), (4)	All Other Option Awards; Numbers of Securities Underlying Options (3), (4)	Exercise or Base Price of Option Awards (5)	Grant Date Fair Value of Stock and Option Awards
Bruce A. Campbell	2/6/2014	$ 63,000	$ 315,000	$ 1,259,998							
Chairman, President	2/6/2014				3,455	6,909	13,818				$ 333,290
and Chief Executive	2/6/2014							7,846			333,298
Officer	2/6/2014								22,271	$ 42.48	332,858
Rodney L. Bell	2/6/2014	33,866	169,331	677,322							
Senior Vice	2/6/2014				1,140	2,280	4,560				109,987
President and	2/6/2014							2,589			109,981
Chief Financial Officer	2/6/2014								7,349	42.48	109,837
Matthew J. Jewell	2/6/2014	33,866	169,331	677,322							
Executive Vice	2/6/2014				1,140	2,280	4,560				109,987
President, Intermodal	2/6/2014							2,589			109,981
Services and Chief Strategy Officer	2/6/2014								7,349	42.48	109,837
Chris C. Ruble	2/6/2014	40,680	203,400	813,600							
Executive Vice	2/6/2014				1,140	2,280	4,560				109,987
President,	2/6/2014							2,589			109,981
Operations	2/6/2014								7,349	42.48	109,837
Michael L. Hance	2/6/2014	33,000	165,000	660,000							
Senior Vice	2/6/2014				622	1,243	2,486				59,962
President, Chief	2/6/2014							2,727			59,982
Legal Officer and Secretary	2/6/2014								4,009	42.48	59,918

(1) Represents performance share awards granted under the Stock Incentive Plan. The performance shares cliff vest on the 30th day after the close of the three-year performance period that ends February 7, 2016 and the number of shares that vest will be based on the TSR of Forward Air Corporation stock compared to the TSR of a determined peer group. See pages 23 - 24 of this Proxy Statement for additional information.
(2) Represents non-vested restricted shares granted under the Amended and Restated Plan.
(3) Represents stock options granted under the Stock Incentive Plan.
(4) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
(5) In accordance with the provisions of the Stock Incentive Plan the exercise price of stock option grants is set using the closing market price on the day of grant. In the event that there is no public trading of the Company's common stock on the date of stock option grant, the exercise price will be the closing price on the most recent, prior date that the Company's common stock was traded.

Employment Agreement with Bruce A. Campbell

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

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

While the Company does not have employment agreements with any of its other Named Executive Officers, the Company did adopt an executive severance and change and control plan, which became effective January 1, 2013, that provides for certain payments to its Named Executive Officers in the event of a termination or a change in control. This plan is discussed in greater detail on pages 34 - 36 of the Proxy Statement under a Section entitled “Potential Payments upon Termination, Change of Control, Death or Disability.”

Outstanding Equity Awards at Fiscal Year-End

The following table shows information about outstanding equity awards at December 31, 2014.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Grant Date	Option Expiration Date	Number of Shares of Stock That Have Not Vested (1)	Market Value of Shares of Stock That Have Not Vested (2)	Equity Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (3)	Equity Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested (2)
Bruce A. Campbell	150,000		$ 28.97	2/14/05	2/14/15				
Chairman, President and	100,000		22.87	2/8/09	2/8/16				
Chief Executive Officer	100,000		22.47	2/7/10	2/7/17				
	37,037		28.61	2/11/11	2/11/18				
	17,293	8,647	36.55	2/7/12	2/7/19				
	8,162	16,324	37.14	2/7/13	2/7/20				
		22,271	42.48	2/6/14	2/6/21				
						16,869	$ 849,692	45,254	$ 2,279,444
Rodney L. Bell	75,000		28.97	2/14/05	2/14/15				
Senior Vice President,	50,000		22.87	2/8/09	2/8/16				
Chief Financial Officer and	50,000		22.47	2/7/10	2/7/17				
Treasurer	12,222		28.61	2/11/11	2/11/18				
	5,707	2,853	36.55	2/7/12	2/7/19				
	2,694	5,386	37.14	2/7/13	2/7/20				
		7,349	42.48	2/6/14	2/6/21				
						5,566	280,359	14,932	752,125
Matthew J. Jewell	4,600		29.44	2/10/08	2/10/15				
Executive Vice President,	50,000		22.87	2/8/09	2/8/16				
Intermodal Services and	50,000		22.47	2/7/10	2/7/17				
Chief Strategy Officer	12,222		28.61	2/11/11	2/11/18				
	5,707	2,853	36.55	2/7/12	2/7/19				
	2,694	5,386	37.14	2/7/13	2/7/20				
		7,349	42.48	2/6/14	2/6/21				
						5,566	280,359	14,932	752,125
Chris C. Ruble	1,846		28.97	2/14/05	2/14/15				
Executive Vice	45,000		29.44	2/10/08	2/10/15				
President, Operations	16,667		22.87	2/8/09	2/8/16				
	49,857		22.47	2/7/10	2/7/17				
	12,222		28.61	2/11/11	2/11/18				
	5,707	2,853	36.55	2/7/12	2/7/19				
	2,694	5,386	37.14	2/7/13	2/7/20				
		7,349	42.48	2/6/14	2/6/21				
						6,325	318,590	14,932	752,125
Michael L. Hance	36,000		22.47	2/7/10	2/7/17				
Senior Vice President,	6,666		28.61	2/11/11	2/11/18				
Chief Legal Officer and	3,113	1,556	36.55	2/7/12	2/7/19				
Secretary	1,469	2,938	37.14	2/7/13	2/7/20				
		4,009	42.48	2/6/14	2/6/21				
						3,035	152,873	8,142	410,113

(1) Each grant vests equally over a three-year period with the first vesting occurring on the one-year anniversary of the grant date.
(2) The market value is based on the closing price of the Company's common stock on Nasdaq on December 31, 2014 of $50.37.
(3) Represents performance share awards granted under the Stock Incentive Plan. The performance shares cliff vest on the 30th day after the close of their respective three-year performance periods. The number of shares that vest will be based on the TSR of Forward Air Corporation stock compared to the TSR of a determined peer group. See pages 23 - 24 of this Proxy Statement for additional information. Shares presented represent the maximum available award as to date the related performance condition has exceeded the threshold for the maximum award.

Option Exercises and Stock Vested

The following table shows information about options exercised or shares acquired on vesting during 2014.

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized Upon Exercise ($) (1)	Stock Awards: Number of Shares Acquired on Vesting (#)	Stock Awards: Value Realized Upon Vesting ($) (1)
Bruce A. Campbell Chairman, President and Chief Executive Officer	100,000	$ 1,118,000	10,146	$ 433,648
Rodney L. Bell Senior Vice President and Chief Financial Officer	80,000	911,920	3,348	143,096
Matthew J. Jewell Executive Vice President, Intermodal Services and Chief Strategy Officer	162,100	1,650,388	3,348	143,096
Chris C. Ruble Executive Vice President, Operations	348,579	1,133,013	3,348	143,096
Michael L. Hance Senior Vice President, Chief Legal Officer and Secretary	11,100	246,077	1,827	78,087

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

2014 Potential Payments Upon Termination, Change of Control, Death or Disability

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

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

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

General Severance Upon Involuntary Termination Absent a Change in Control	Severance Upon Involuntary Termination Within Two Years after a Change in Control
• a lump sum severance payment in an amount equal to one year of the participant's annualized base salary	• a lump sum severance payment in an amount equal to two times the participant's annualized base salary
• a pro-rata annual incentive for the fiscal year in which the termination occurs based on actual performance results	• a pro-rata target annual incentive for the fiscal year in which the termination occurs
• a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before the termination above the monthly premium payable by active employees under the Company's healthcare plan for similar coverage, multiplied by 12 months	• a lump sum healthcare assistance payment in an amount equal to the excess of the monthly COBRA premium to provide the group medical, dental, vision, and/or prescription drug plan benefits the participant had been receiving before the termination above the monthly premium payable by active employees under the Company's healthcare plan for similar coverage, multiplied by 24 months

- access to up to $20,000 of employer-paid outplacement services for 12 months following termination
- access to up to $20,000 of employer-paid outplacement services for 12 months following termination

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

In addition to the benefits available under the Severance Plan, all of the Named Executive Officers are eligible to receive certain other benefits in the event of specific termination of employment, including as a consequence of a change in control. Under the Company's Annual Incentive Plan, any unpaid incentive amounts previously earned under this plan would be payable to any Named Executive Officer terminated without cause. Under the Stock Incentive Plan, any non-vested restricted shares, options or other forms of equity-based compensation will vest upon a "Change in Control."

The following table shows the estimated benefits payable to each Named Executive Officer in the event of termination of employment or change of control of the Company. The amounts shown assume that a termination of employment or a change of control occurs on December 31, 2014. 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 A. Campbell			
Employment Agreement	$ 925,973	$ 925,973	$ 1,033,149
Stock Incentive Plan	-	5,508,716	5,508,716
Total	$ 925,973	$ 6,434,689	$ 6,541,865
Rodney L. Bell (4)			
Stock Incentive Plan	-	1,817,652	1,817,652
Matthew J. Jewell (4)			
Stock Incentive Plan	-	1,817,652	1,817,652
Chris C. Ruble (4)			
Stock Incentive Plan	-	1,855,883	1,855,883
Michael L. Hance (4)			
Stock Incentive Plan	-	856,592	856,592

(1) The Company entered into an Employment Agreement with Bruce Campbell effective October 30, 2007 which has been subsequently amended to extend the term of the Employment Agreement to December 31, 2012 with one-year annual extensions thereafter absent a notice of non-renewal by the Company or Mr. Campbell. Under this Agreement, Mr. Campbell is entitled upon termination without "just cause" (as defined in the Agreement) to payment of his base salary for the longer of one (1) year, or the remainder of the Agreement term, payment of any bonus previously earned but unpaid, and one (1) year of health insurance continuation. Mr. Campbell is not entitled to any of these payments/benefits if he is terminated with "just cause" or he voluntarily resigns without a "Change in Control" or "Material Change in Duties," as such terms are defined in the Agreement. The Company does not have employment agreements with any of its other Named Executive Officers.

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

(3) Under his Employment Agreement, upon a Change in Control (as defined in the Agreement), Mr. Campbell is entitled to payment of his base salary for one (1) year payable over the course of the twelve (12) months following the Change in Control, payment of any bonus previously earned but unpaid, payment of an amount equal to the prior-year's year-end bonus and one (1) year continuation of health insurance. The amounts in the Stock Incentive Plan 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 32, multiplied by the excess, if any, of the market price of our common stock on December 31, 2014 ($50.37) over the exercise price listed in the same table.

(4) The Severance Plan provides for the payment of severance benefits to participants in the event their employment is involuntarily terminated by the Company (other than for cause or upon death or disability, as defined by the Severance Plan) or by the participant for good reason (as defined in the Severance Plan) (collectively, "Involuntary Terminations"). Assuming a December 31, 2014, involuntary termination, under the Severance Plan the above officers, other than the Chief Executive Officer, would be entitled to the following severance benefits upon an Involuntary Termination, in addition to any accrued obligation and vested amounts to which they may be entitled under the Company's benefit plans:

Name	Unpaid Annual Incentive (i)	Salary & Incentive (ii)	Healthcare (iii)	Placement Services (iv)	Total Severance
Rodney L. Bell					
Termination without Cause	$ 114,157	$ 338,661	$ 17,641	$ 20,000	$ 490,459
Change of Control	114,157	1,015,983	35,282	20,000	1,185,422
Matthew J. Jewell					
Termination without Cause	136,856	338,661	17,641	20,000	513,158
Change of Control	136,856	1,015,983	35,282	20,000	1,208,121
Chris C. Ruble					
Termination without Cause	137,126	406,800	17,641	20,000	581,567
Change of Control	137,126	1,220,400	35,282	20,000	1,412,808
Michael L. Hance					
Termination without Cause	111,238	315,628	15,541	20,000	462,407
Change of Control	111,238	961,256	31,082	20,000	1,123,576

i. Represents unpaid cash incentives earned under the 2014 annual Cash Incentive Plan as of December 31, 2014.

ii. Participants are entitled to a lump sum severance payment in an amount equal to the participant's annualized base salary in effect on his or her termination date if the termination date is prior to or absent a Change in Control, or equal to two times the sum of the participant's base salary and target annual incentive (each determined as of the termination date) if the termination date is on or within two years following a Change in Control.

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

iv. Participants are entitled to access to up to $20,000 of employer-paid outplacement services for 12 months following termination.

Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the 2014 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, 2014 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, 2014 for filing with the SEC.

Gary L. Paxton, Chair
G. Michael Lynch
Larry D. Leinweber
Ray A. Mundy

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 2015, 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 2014 and 2013 were as follows:

	2014	2013
Audit Fees (1)	$ 1,501,967	$ 1,275,060
Audit Related Fees (2)	253,294	112,100
Tax Fees (2)	379,942	425,365
All Other Fees (2)	-	-

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

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services and other services performed by the independent registered public accounting firm. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. The Audit Committee must approve the permitted service before the independent registered public accounting firm is engaged to perform it. During 2014 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 2015. 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 2015.

PROPOSAL NO. 3 — 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 shareholder value. The Compensation Committee believes that the most effective compensation program is one that provides competitive base pay, rewards the achievement of established annual and long-term goals and objectives, and provides incentives for retention. The Compensation Committee seeks a compensation program that is internally consistent and believes that pay differences among jobs should be commensurate with differences in the levels of responsibility between the Chief Executive Officer and the other Named Executive Officers.

We urge you to read the Compensation Discussion and Analysis section of this proxy statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2014 compensation of our Named Executive Officers.

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

> **BE IT RESOLVED** by the shareholders of Forward Air, that the shareholders 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 2015 Annual Meeting of Shareholders.

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 shareholders, 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. 3 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, on an advisory basis, of the compensation of the Named Executive Officers.

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 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 2014, except that Ms. Tracy A. Leinbach reported late one transaction on a Form 4 filed on May 13, 2014.

Deadline for Submission to Shareholders of Proposals to be Presented at the 2016 Annual Meeting of Shareholders

Any proposal intended to be presented for action at the 2016 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 4, 2015 in order for such proposal to be considered for inclusion in the Company's proxy statement and form of proxy relating to its 2016 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 2016 Annual Meeting of Shareholders), a shareholder's notice must be received by the Secretary of the Company not later than February 12, 2016 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 12, 2016, 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 2015 Annual Meeting of Shareholders, Proxy Statement and 2014 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, 2014 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 Michael L. Hance, 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,

Michael L. Hance

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

Greeneville, Tennessee
April 2, 2015

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, 2014
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, 2014 was approximately $1,445,406,912 based upon the $47.85 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 9, 2015 was 30,479,715.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement for the 2015 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, 2014 (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 as well as contracted, third party carriers needed to serve our customers' 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. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. Business

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

Through our Forward Air segment we provide time-definite surface transportation and related logistics services to the North American expedited ground freight market. Our licensed property broker utilizes qualified motor carriers, including our own, and other third-party transportation companies, to 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 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. Also included in the Forward Air segment are the services performed by Central States Trucking Co. and Central States Logistics, Inc. ("CST") which we acquired in 2014. CST provides intermodal drayage, devanning, transloading and warehousing services.

FASI, which we formed in July 2007, provides 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.

TQI, which we acquired in March 2013, provides maximum security and temperature-controlled logistics services, primarily truckload services, to the life sciences sector (pharmaceutical and biotechnology products). In addition to core pharmaceutical services and other cold chain services, TQI provides truckload and less-than-truckload brokerage transportation services.

Growth Strategy

Our 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 businesses as the base from which to expand and launch new services that will allow us to grow and provide shareholder returns in any economic environment. Principal components of our efforts include:

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

- *Expand Service Offerings.* We continue to expand our offered services to increase revenue and improve utilization of our terminal facilities and labor force. Because of the timing of the arrival and departure of cargo, our 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 additional services in the past few years, such as TLX, pool distribution, temperature-controlled shipments, warehousing, drayage, 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 customers 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.

- *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 and pursue acquisitions that can increase our penetration of a geographic area, add new customers, add new business verticals, and increase freight volume. In addition, we expect to explore acquisitions, such as TQI, that enable us to offer additional services. Further, in 2014, we completed the acquisition of CST which later in 2014 acquired substanially all the assets of Recob Great Lakes Express, Inc. ("RGL") and Multi-Modal Trucking, Inc. and Multi-Modal Services, Inc. (together referred to as "MMT"). CST provides industry leading container and intermodal drayage services primarily within the Midwest region of the United States. CST also provides linehaul service within the airport-to-airport space as well as dedicated contract and Container Freight Station warehouse services. Acquisitions may affect our short-term cash flow and net income as we expend funds, potentially increase indebtedness and incur additional expenses.

Competitive Advantages

We believe that the following competitive advantages are critical to our success:

- *Focus on Specific Freight Markets and Concentrated Marketing Strategy.* Our Forward Air segment focuses on providing time-definite surface transportation and related logistics services to the North American expedited ground freight market. Forward Air provides our expedited ground freight services mainly to freight forwarders, integrated air cargo carriers, and passenger and cargo airlines rather than directly serving shippers. 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. Our FASI segment focuses on providing high-quality pool distribution services to retailers and nationwide distributors of retail products. Our TQI segment focuses on providing maximum security and temperature-controlled logistics services to the pharmaceutical and life science industries. This focused approach enables us to provide a higher level of service across all our business segments in a more cost-effective manner than our competitors.

- *Expansive Network of Terminals and Facilities.* We have developed a network of terminals and facilities throughout the United States and Canada. We believe it would be difficult for a competitor to duplicate our network of facilities with the expertise and strategic facility locations we have acquired without expending significant capital and management resources. We believe that through our network of terminals and facilities we can offer our customers a variety of comprehensive, high-quality, consistent service across the majority of the continental United States.

- *Superior Service Offerings.* Forward Air's published expedited ground 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 Forward Air 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. TQI utilizes industry-leading temperature-controlled equipment, 24-hour real-time monitoring and tracking technology, and layered security features and practices to provide its customers with a level of service that is unmatched in the industry today.

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

- *Comprehensive Logistic and Other Service Offerings.* Through our three segments we offer an array of logistic and other services including: TLX, pick-up and delivery (Forward Air Complete™), pool distribution, temperature-controlled truckload, warehousing, customs brokerage and shipment consolidation and handling. These services are an essential part of many of our customers' transportation needs and are not offered by many of our competitors. We are often 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 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 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 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.

- *Strong Balance Sheet and Availability of Funding.* Our asset-light business model and strong market position in the expedited ground freight market provides the foundation for operations that have produced excellent cash flow from operations even in challenging conditions. Our strong balance sheet and available borrowing capacity, 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 an uncertain economic environment. The threat of financial instability may encourage new and existing customers to use a more financially secure transportation provider.

Operations

The following describes in more detail the operations of each of our reportable segments:

Forward Air

Airport-to-airport

Forward Air is a leading provider of time-definite surface transportation and related logistics services to the North American expedited ground freight market. Through Forward Air, 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 market our Forward Air airport-to-airport services primarily to 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 our terminals on or near airports in the United States and Canada and maintaining regularly scheduled transportation service between major cities. We either receive shipments at our terminals or if instructed to do so pick up shipments directly from our customers. We then transport the freight 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 2014, approximately 27.0% of the freight Forward Air handled was for overnight delivery, approximately 57.1% was for delivery within two to three days and the balance was for delivery in four or more days. Forward Air generally does not market its airport-to-airport services directly to shippers (where such services might compete with our freight forwarder customers). Also, because Forward Air does not place significant size or weight restrictions on airport-to-airport shipments, Forward Air generally does not compete directly with integrated air cargo carriers such as United Parcel Service and Federal Express in the overnight delivery of small parcels. In 2014, Forward Air's ten largest customers accounted for approximately 44.3% of Forward Air's operating revenue and no single customer accounted for more than 10.0% of Forward Air's operating revenue.

Terminals

Our airport-to-airport network consists of terminals located in the following 87 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
Fort Wayne, IN*	FWA	Salt Lake City, UT	SLC
Grand Rapids, MI*	GRR	San Antonio, TX	SAT
Greensboro, NC	GSO	San Diego, CA	SAN
Greenville, SC	GSP	San Francisco, CA	SFO
Hartford, CT	BDL	Seattle, WA	SEA
Harrisburg, PA	MDT	Shreveport, LA*	SHV
Houston, TX	IAH	South Bend, IN*	SBN
Huntsville, AL*	HSV	St. Louis, MO	STL
Indianapolis, IN	IND	Syracuse, NY	SYR
Jacksonville, FL	JAX	Tampa, FL	TPA
Kansas City, MO	MCI	Toledo, OH*	TOL
Knoxville, TN*	TYS	Tucson, AZ*	TUS
Lafayette, LA*	LFT	Tulsa, OK**	TUL
Laredo, TX	LRD	Washington, DC	IAD
Las Vegas, NV	LAS	Montreal, Canada*	YUL
Little Rock, AR*	LIT	Toronto, Canada	YYZ
Los Angeles, CA	LAX		

* Denotes an independent agent location.
** Denotes a location with combined Forward Air and FASI operations.
*** Denotes a location in which Forward Air is an agent for FASI.

Independent agents operate 22 of our Forward Air locations. 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. When 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 airport-to-airport network was approximately 36.9 million pounds per week in 2014. During 2014, our average shipment weighed approximately 650 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 1999.

Year	Average Weekly Volume in Pounds (In millions)
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
2011	34.0
2012	34.9
2013	35.4
2014	37.4

Forward Air Logistics and Other Services

Forward Air 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.

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

- expedited full truckload, or TLX;
- intermodal drayage, or CST;
- dedicated fleet;
- 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;
- 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 customers that do not provide logistics services themselves or that prefer to use one provider for all of their surface transportation needs.

Our logistics revenue is generated primarily by our TLX and intermodal drayage services. Our TLX service provides a high level of truckload service through a dedicated owner operator fleet and third party transportation providers that allow for flexible capacity while also allowing us to cross utilize assets and capacity with our airport-to-airport fleet.

In conjunction with our acquisitions of CST in February 2014 and the related acquisitions of RGL and MMT, we expanded our container and intermodal drayage operations into the Midwest. We now offer container and intermodal drayage services in Charleston, Chicago, Cleveland, Detroit, Houston, Indianapolis, Milwaukee and Minneapolis.

Forward Air Customers

Our wholesale customer base is primarily comprised of freight forwarders, integrated air cargo carriers and passenger, cargo airlines and steamship lines. Forward Air's 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, FedEx Corporation and Pilot Air Freight. Because we deliver dependable service, integrated air cargo carriers such as UPS Cargo, FedEx Corporation 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 United Airlines and Delta.

Forward Air Purchased Transportation

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

Forward Air seeks to establish long-term relationships with owner-operators to assure dependable service and availability. Historically, Forward Air has experienced significantly higher than industry average retention of owner-operators. Forward Air has established specific guidelines relating to safety records, driving experience and personal evaluations that we use to select our owner-operators. To enhance its relationship with the owner-operators, Forward Air rates are generally above prevailing market rates and we announced rate increases at the end of 2014. In addition, our owner-operators and their drivers often are able to negotiate a consistent work schedule. Usually, owner-operators and their drivers also negotiate schedules that are between the same two cities or along a consistent route, improving quality of work life for the owner-operators and their drivers and, in turn, increasing our driver retention.

As a result of efforts to expand our logistics and other services, seasonal demands and volume surges in particular markets, we also purchase transportation from other surface transportation providers to handle overflow volume. Of the $277.3 million incurred for Forward Air purchased transportation during 2014, we purchased 53.3% from the owner-operators of our licensed motor carrier and 46.7% from other surface transportation providers.

Forward Air Competition

The expedited ground freight segment of the transportation industry is highly competitive and very fragmented. Our 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 in the expedited ground freight segment 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.

Forward Air Solutions (FASI)

Pool Distribution

Through our FASI segment we provide pool distribution services through a network of terminals and service locations in 29 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 FASI pool distribution customers are primarily comprised of national and regional retailers and distributors, such as Stage Stores, The Limited, The Marmaxx Group and The GAP. FASI's four largest customers accounted for approximately 64.6% of FASI's 2014 operating revenue, but revenues from these four customers do not exceed 10.0% of our consolidated revenue. No other customers accounted for more than 10.0% of FASI's operating revenue.

Our pool distribution network consists of terminals and service locations in the following 29 cities:

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

* Denotes an independent agent station.
** Denotes a location in which Forward Air is an agent for FASI.
*** Denotes a location with combined Forward Air and FASI operations.

FASI Transportation

FASI provides transportation services through a mix of Company-employed drivers, owner-operators and third party carriers. The mix of sources utilized to provide FASI transportation services is dependent on the individual markets and related customer routes. During 2014, approximately 38.9% of FASI's direct transportation expenses were provided by Company-employed drivers, 25.2% by owner-operators and 35.9% was provided by third party carriers.

FASI Competition

The pool distribution segment of the transportation industry is also highly competitive and very fragmented. Our competitors primarily include regional and national truckload and less-than-truckload carriers. We believe FASI has an advantage over our competitors due to our presence in several regions across the continental United States allowing us to provide consistent, high-quality service to our customers regardless of location.

Total Quality (TQI)

TQI is a premium provider of maximum security and temperature-controlled services to the pharmaceutical and other life science industries. TQI utilizes industry-leading temperature-controlled equipment, 24-hour real-time monitoring and tracking technology and layered security features and practices to provide our customers with a high level of service. In addition to its core pharmaceutical services, TQI also provides truckload and less-than-truckload brokerage transportation services. TQI's administrative headquarters are located in Grand Haven, Michigan.

TQI Transportation

TQI maintains a fleet of Company-employed drivers and owner-operators. All Company-employed drivers and owner-operators are incentivized to follow strict operating procedures during pick up, transport and delivery. In addition to TQI's private and owner-operator fleet, TQI has contracted third party partner carriers, that have committed to meet TQI's high standards of service and serve as a dedicated source of scalable capacity. Utilizing these partner carriers, TQI is able to accommodate spikes in demand created by product launches, product recalls, special promotions and other seasonal marketing efforts that require additional capacity. During 2014, approximately 27.6% of TQI's direct transportation expenses were provided by Company-employed drivers, 7.7% by owner-operators and 64.7% was provided by third party carriers.

TQI Competition

TQI competitors primarily include national and regional truckload carriers. We believe competition in TQI's market is based primarily on quality service, on-time delivery and flexibility together with reliability and security. We believe TQI has a competitive advantage as a result of our superior technology and its established relationships with market leaders in the pharmaceutical and other life science industries.

Marketing

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, www.forwardairsolutions.com, www.shiptqi.com and www.cstruck.com. The information contained on our websites is not part of this filing and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Seasonality

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

Employees and Equipment

As of December 31, 2014, we had 2,820 full-time employees, 934 of whom were freight handlers. Also, as of that date, we had an additional 1,082 part-time employees, of whom the majority were freight handlers. None of our employees are covered by a collective bargaining agreement. We recognize that our workforce, including our freight handlers, is one of our most valuable assets. The recruitment, training and retention of qualified employees is essential to support our continued growth and to meet the service requirements of our customers.

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, 2014, we had 3,777 owned trailers in our fleet with an average age of approximately 5.3 years. In addition, at December 31, 2014, we also had 40 leased trailers in our fleet. At December 31, 2014, we had 573 owned tractors and straight trucks in our fleet, with an average age of approximately 4.8 years. In addition, at December 31, 2014, we also had 109 leased tractors and straight trucks in our fleet.

Risk Management and Litigation

Under U.S. Department of Transportation ("DOT") regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. 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 $0.5 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance.

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

Regulation

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℠, Forward Air Complete®, PROUD™ and Total Quality, Inc.®. These marks are of significant value to our business. We are also in the process of registering our trademarks for TQI Inc. and Central States Trucking Co.

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 addresses are www.forwardair.com, www.forwardairsolutions.com, www.shiptqi.com and www.cstruck.com. Our goal is to maintain our website as a portal through which investors can easily find or navigate to pertinent information about us. The information provided on the website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Item 1A. Risk Factors

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.

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, freight volumes, capacity in the trucking industry, insurance premiums, self-insured retention levels, difficulty in attracting and retaining qualified owner-operators and freight handlers as well as needed outside capacity and the status of our owner-operators as independent contractors. 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 networks. 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 consumer 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 volumes, 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 its customers. FASI does have contracts with its customers but these contracts typically have terms allowing cancellation within 30 to 60 days. As a result, we cannot guarantee that our current customers will continue to utilize our services or that they will continue at the same levels. The 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 in which we participate are highly competitive, very fragmented and historically have few barriers to entry. Our principal competitors include national and regional truckload and less-than-truckload brokers and carriers. To a lesser extent, we also compete with integrated air cargo carriers and passenger airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources, including greater freight capacity. We also face competition from freight forwarders who decide to establish their own networks to transport expedited ground freight. We believe competition is based primarily on quality service, on-time delivery, flexibility, reliability and security, 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.

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 2014, owner-operators provided 49.5% 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.

If we have difficulty contracting with a sufficient number of third-party carriers to supplement our owner-operator fleet and satisfy our customers' fast-growing transportation needs, our results of operations could be adversely affected.

To augment our fleet of owner-operators, we purchase transportation from third-party carriers. As with owner-operators, competition for third-party carriers is intense, and sometimes there are shortages of available third-party carriers. If we cannot secure a sufficient number of owner-operators and have to purchase transportation from third-party carriers, our operating costs certainly will increase. This capacity deficit may lead to a loss of customers and a decline in the volume of freight we receive from customers.

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. Forward Air and FASI 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. Forward Air and FASI 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 $0.5 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance. Any claims beyond the limits or scope of our insurance coverage may have a material adverse effect on us. Because we do not carry "stop loss" insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability. In addition, we may be unable to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses.

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

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

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

- potential erosion of operating profits as new acquisitions may be unable to achieve profitability comparable with our 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.

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. 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. 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. If we experience another economic downturn it may have a significant negative impact on our results of operations.

Extreme or unusual weather conditions can disrupt our operations, impact freight volumes and increase our costs, all of which could adversely affect our results of operations.

Certain weather conditions such as ice and snow can disrupt our operations. Increases in the cost of operations, such as towing and other maintenance activities, frequently occur during the winter months. Natural disasters such as hurricanes and flooding can also impact freight volumes and negatively impact our results of operations.

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 $72.7 million of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2014. 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 consolidated statement of comprehensive income in the amount that the carrying value of these assets exceed the estimated fair value of the assets.

We also have recorded goodwill of $144.4 million on our consolidated balance sheet at December 31, 2014. Goodwill is assessed for impairment annually (or more frequently if circumstances indicate possible impairment) for each of our reporting units. This assessment includes comparing the fair value of each reporting unit to the carrying value of the assets assigned to each reporting unit. If the carrying value of the reporting unit was to exceed our estimated fair value of the reporting unit, we would then be required to estimate the fair value of the individual assets and liabilities within the reporting unit to ascertain the amount of fair value of goodwill and any potential impairment. If we determine that our fair value of goodwill is less than the related book value, we could be required to record a non-cash impairment charge to our consolidated statement of comprehensive income, which could have a material adverse effect on our earnings.

We 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 networks. 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, cyber-attacks and similar events. Despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. The occurrence of any of these events could disrupt or damage our information technology systems and hamper our internal operations, our ability to provide services to our customers and the ability of our customers to access our information technology systems. A material network breach in the security of our information technology systems could include the theft of our intellectual property or trade secrets, personal information of our employees and confidential information of certain customers. To the extent that any disruptions or security breach results in a loss or damage to our data, or in inappropriate disclosure of confidential information, it could cause significant damage to our reputation, affect our relationships with our customers, reduce the demand for our services, lead to claims against us and ultimately harm our business. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

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 have not complied with their sustainability requirements. These costs, changes and loss of revenue could have a material adverse effect on our business, financial condition and results of operations.

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 is currently represented by a collective bargaining agreement. However, we have no assurance that our employees will not unionize in the future, which could increase our operating costs and force us to alter our operating methods. This could have a material adverse effect on our operating results.

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties

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.

We also own facilities near Dallas/Fort Worth, Texas, Chicago, Illinois and Atlanta, Georgia. The Dallas/Fort Worth, Texas facility has over 216,000 square feet with 134 trailer doors and approximately 28,000 square feet of office space. The Chicago, Illinois facility is over 125,000 square feet with 110 trailer doors and over 10,000 square feet of office space. The Atlanta, Georgia facility is over 142,000 square feet with 118 trailer doors and approximately 12,000 square feet of office space.

We lease and maintain 76 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 30 terminals are agent stations operated by independent agents who handle freight for us on a commission basis.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

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

2014	High	Low	Dividends
First Quarter	$ 46.66	$ 41.36	$ 0.12
Second Quarter	48.08	42.09	0.12
Third Quarter	48.93	44.45	0.12
Fourth Quarter	51.37	43.60	0.12

2013	High	Low	Dividends
First Quarter	$ 39.58	$ 35.28	$ 0.10
Second Quarter	39.66	35.93	0.10
Third Quarter	41.94	36.05	0.10
Fourth Quarter	44.57	38.26	0.10

According to a position listing there were approximately 428 shareholders of record of our Common Stock as of January 15, 2015.

Subsequent to December 31, 2014, our Board of Directors declared a cash dividend of $0.12 per share that will be paid in the first quarter of 2015. The Company expects to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

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

None of our securities were sold during fiscal year 2014 without registration under the Securities Act.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2014 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 or Vesting of Outstanding/ Unvested Shares, Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
		(a)	(b)
Equity Compensation Plans Approved by Shareholders	1,659,835	$ 28	1,659,547
Equity Compensation Plans Not Approved by Shareholders	—	—	—
Total	1,659,835	$ 28	1,659,547

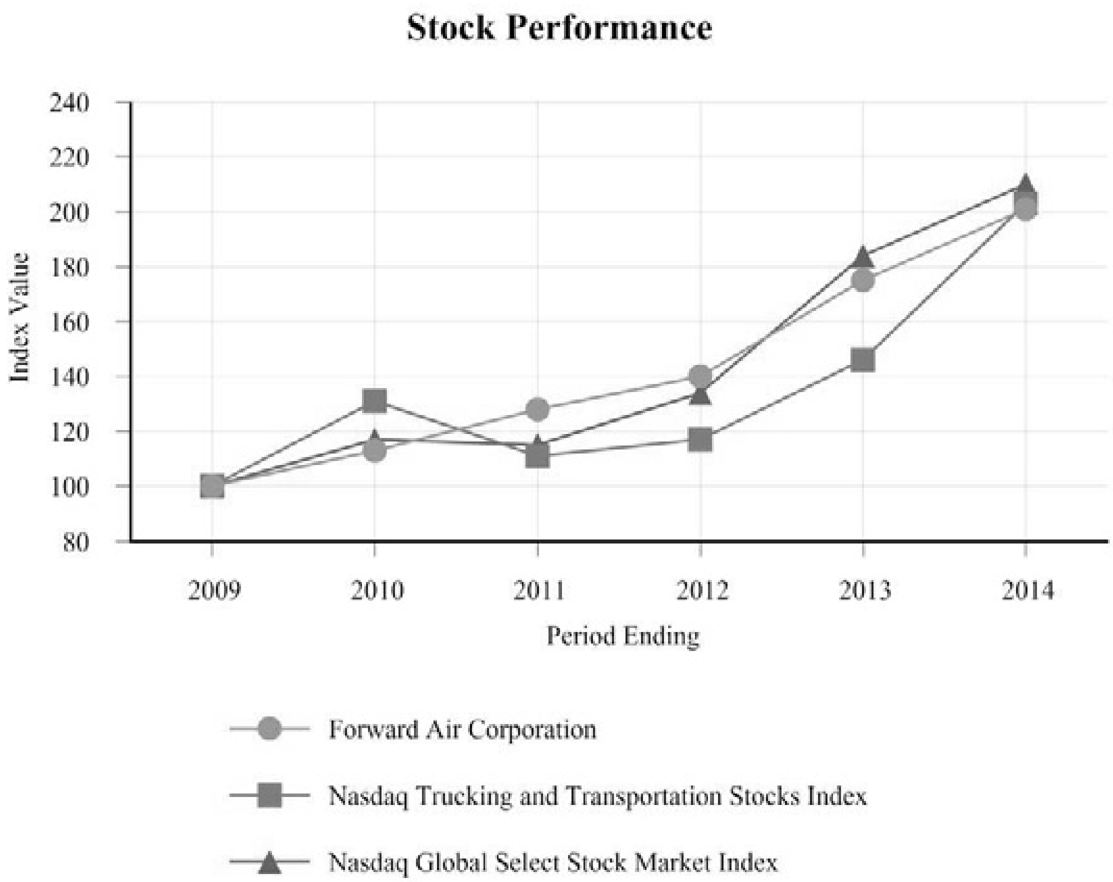
(a) Excludes purchase rights accruing under the ESPP, which has an original shareholder-approved reserve of 500,000 shares. Under the ESPP, each eligible employee may purchase up to 2,000 shares of Common Stock at semi-annual intervals each year at a purchase price per share equal to 90.0% of the lower 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, 2014, an aggregate of 403,792 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 2009 and ending on the last trading day of December 2014. The graph assumes a base investment of $100 made on December 31, 2009 and the respective returns assume reinvestment of all dividends. The comparisons in this graph are required by the SEC and, therefore, are not intended to forecast or necessarily be indicative of any future return on our Common Stock.

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



	2009	2010	2011	2012	2013	2014
Forward Air Corporation	$ 100	$ 113	$ 128	$ 140	$ 175	$ 201
Nasdaq Trucking and Transportation Stocks Index	100	131	111	117	146	203
Nasdaq Global Select Stock Market Index	100	117	115	134	184	210

Issuer Purchases of Equity Securities

No shares of our Common Stock were repurchased by the Company during the three months ended December 31, 2014.

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, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
	(In thousands, except per share data)				
Income Statement Data:					
Operating revenue	$ 780,959	$ 652,481	$ 584,446	$ 536,402	$ 483,939
Income from operations	96,406	84,355	83,532	77,110	53,739
Operating margin (1)	12.3%	12.9%	14.3%	14.4%	11.1%
Net income	61,169	54,467	52,668	47,199	32,036
Net income per share:					
Basic	$ 1.99	$ 1.81	$ 1.82	$ 1.62	$ 1.11
Diluted	$ 1.96	$ 1.77	$ 1.78	$ 1.60	$ 1.10
Cash dividends declared per common share	$ 0.48	$ 0.40	$ 0.34	$ 0.28	$ 0.28
Balance Sheet Data (at end of period):					
Total assets	$ 541,805	$ 506,269	$ 399,187	$ 341,151	$ 348,796
Long-term obligations, net of current portion	1,275	3	58	333	50,883
Shareholders' equity	463,563	435,865	351,671	286,902	256,086

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

Through our Forward Air segment, we provide time-definite surface transportation and related logistics services to the North American expedited ground freight market. Our licensed property broker utilizes qualified motor carriers, including our own, and other third-party transportation companies, to 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 87 cities in the United States and Canada, including a central sorting facility in Columbus, Ohio and 12 regional hubs serving key markets. We also offer our customers an array of logistics and other services including: expedited truckload brokerage (“TLX”); intermodal drayage; dedicated fleets; warehousing; customs brokerage; and shipment consolidation, deconsolidation and handling.

FASI provides pool distribution services throughout the Mid-Atlantic, Southeast, Midwest and Southwest continental United States. Pool distribution involves managing high-frequency handling and distribution of time-sensitive product to numerous destinations in specific geographic regions. Our primary customers for this service are regional and nationwide distributors and retailers, such as mall, strip mall and outlet based retail chains. We service these customers through a network of terminals and service centers located in 29 cities.

TQI is a provider of maximum security and temperature-controlled logistics services, primarily truckload services, to the life sciences sector (pharmaceutical and biotechnology products). In addition to core pharmaceutical services and other cold chain services, TQI provides truckload and less-than-truckload brokerage transportation services.

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

Trends and Developments

Acquisitions of CST and Related Companies

On February 2, 2014, we acquired all of the outstanding capital stock of Central States Trucking Co. and Central States Logistics, Inc. (collectively referred to as “CST”). CST provides industry leading container and intermodal drayage services primarily within the Midwest region of the United States. CST also provides dedicated contract and Container Freight Station (“CFS”) warehouse and handling services. We acquired all of the outstanding capital stock of CST in exchange for $83.0 million in net cash and $11.2 million in assumed debt. With the exception of the assumed capital leases, the assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using our cash on hand. The assets, liabilities, and operating results of CST have been included in the Forward Air reportable segment.

The acquisition of CST provides us with a scalable platform for which to enter the intermodal drayage space and thereby continuing to expand and diversify our service offerings. As part of our strategy to scale CST's operations, in September 2014, CST acquired certain assets of Recob Great Lakes Express, Inc. ("RGL") for $1.4 million and in November 2014, acquired Multi-Modal Trucking, Inc. and Multi-Modal Services, Inc. (together referred to as "MMT") for approximately $5.8 million. The acquisition of RGL and MMT's assets provided an opportunity for CST to expand into additional midwest markets.

Acquisition of TQI

On March 4, 2013, we entered into a Stock Purchase Agreement ("Agreement") with all of the shareholders of TQI to acquire 100% of the outstanding stock. Pursuant to the terms of the Agreement and concurrently with the execution of the Agreement, we acquired all of the outstanding capital stock of TQI in exchange for $45.3 million in net cash, $20.1 million in assumed debt and an available earn-out of up to $5.0 million. The assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using our cash on hand.

Results from Operations

During the year ended December 31, 2014, we experienced a 19.7% and 14.2% increase in our consolidated revenues and income from operations, respectively, compared to the year ended December 31, 2013. The increase in revenue and income from operations was primarily attributable to our CST acquisitions, a full year of operations from TQI and increased revenue and improved operating performance from FASI. During the year ended December 31, 2014, the CST acquisitions contributed $68.9 million in operating revenue and approximately $7.1 million in income from operations.

Forward Air revenue and income from operations increased 22.2% and 9.4%, respectively. The Forward Air revenue and operating income increases were largely driven by the CST acquisitions which have been included in our Forward Air segment. Higher airport-to-airport revenue attributable to increased tonnage and improved pricing drove the remaining increase in Forward Air revenue. However, increases in airport-to-airport revenue did not translate to an improved operating margin as higher operating costs, primarily purchased transportation, largely mitigated the increased revenue.

FASI revenue increased 10.4% during the year ended December 31, 2014 compared to the year ended December 31, 2013. In conjunction with the revenue growth, FASI's income from operations improved $3.9 million and 185.7%, from $2.1 million in 2013 to $6.0 million during 2014. The increase in revenue and the corresponding increase in income from operations was the result of rate increases implemented during the first quarter of 2014 and improvement in operating processes.

TQI's revenue and operating income increased 16.7% and 19.4%, respectively, mostly due to 2014 including a full year of operating results as opposed to only ten months during 2013.

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 volumes shipped. Due to the acquisition of CST and improved volumes, our net fuel surcharge revenue increased by 12.8% during the year end December 31, 2014 compared to the year ended December 31, 2013.

Results of Operations

The following table sets forth our historical financial data for the years ended December 31, 2014 and 2013 (in millions):

	Year ended			
	December 31, 2014	December 31, 2013	Change	Percent Change
Operating revenue	$ 781.0	$ 652.5	$ 128.5	19.7%
Operating expenses:				
Purchased transportation	334.6	285.7	48.9	17.1
Salaries, wages, and employee benefits	182.1	151.1	31.0	20.5
Operating leases	34.0	29.3	4.7	16.0
Depreciation and amortization	31.1	23.6	7.5	31.8
Insurance and claims	15.7	12.5	3.2	25.6
Fuel expense	20.2	15.2	5.0	32.9
Other operating expenses	66.9	50.7	16.2	32.0
Total operating expenses	684.6	568.1	116.5	20.5
Income from operations	96.4	84.4	12.0	14.2
Other income (expense):				
Interest expense	(0.6)	(0.5)	(0.1)	20.0
Other, net	0.3	0.1	0.2	200.0
Total other expense	(0.3)	(0.4)	0.1	(25.0)
Income before income taxes	96.1	84.0	12.1	14.4
Income taxes	34.9	29.5	5.4	18.3
Net income	$ 61.2	$ 54.5	$ 6.7	12.3%

The following table sets forth our historical financial data by segment for the years ended December 31, 2014 and 2013 (in millions):

	Year ended					
	December 31, 2014	Percent of Revenue	December 31, 2013	Percent of Revenue	Change	Percent Change
Operating revenue						
Forward Air	$ 612.4	78.4%	$ 501.1	76.8%	$ 111.3	22.2%
FASI	125.2	16.0	113.4	17.4	11.8	10.4
TQI	48.8	6.3	41.8	6.4	7.0	16.7
Intercompany eliminations	(5.4)	(0.7)	(3.8)	(0.6)	(1.6)	42.1
Total	781.0	100.0	652.5	100.0	128.5	19.7
Purchased transportation						
Forward Air	277.3	45.3	230.9	46.1	46.4	20.1
FASI	36.6	29.3	34.5	30.4	2.1	6.1
TQI	24.7	50.6	23.2	55.5	1.5	6.5
Intercompany eliminations	(4.0)	74.1	(2.9)	76.3	(1.1)	37.9
Total	334.6	42.8	285.7	43.8	48.9	17.1
Salaries, wages and employee benefits						
Forward Air	131.7	21.5	105.4	21.0	26.3	25.0
FASI	42.0	33.5	39.3	34.7	2.7	6.9
TQI	8.4	17.2	6.4	15.3	2.0	31.3
Total	182.1	23.3	151.1	23.2	31.0	20.5
Operating leases						
Forward Air	24.9	4.1	20.2	4.0	4.7	23.3
FASI	9.0	7.2	9.0	7.9	—	—
TQI	0.1	0.2	0.1	0.2	—	—
Total	34.0	4.4	29.3	4.5	4.7	16.0
Depreciation and amortization						
Forward Air	21.7	3.5	16.2	3.2	5.5	34.0
FASI	5.8	4.6	5.0	4.4	0.8	16.0
TQI	3.6	7.4	2.4	5.8	1.2	50.0
Total	31.1	4.0	23.6	3.6	7.5	31.8
Insurance and claims						
Forward Air	11.8	1.9	8.7	1.8	3.1	35.6
FASI	3.1	2.5	3.3	2.9	(0.2)	(6.1)
TQI	0.8	1.7	0.5	1.2	0.3	60.0
Total	15.7	2.0	12.5	1.9	3.2	25.6
Fuel expense						
Forward Air	8.4	1.4	4.0	0.8	4.4	110.0
FASI	7.3	5.8	7.0	6.2	0.3	4.3
TQI	4.5	9.2	4.2	10.1	0.3	7.1
Total	20.2	2.6	15.2	2.3	5.0	32.9
Other operating expenses						
Forward Air	50.5	8.2	37.0	7.4	13.5	36.5
FASI	15.4	12.3	13.2	11.6	2.2	16.7
TQI	2.4	4.9	1.4	3.3	1.0	71.4
Intercompany eliminations	(1.4)	25.9	(0.9)	23.7	(0.5)	55.6
Total	66.9	8.6	50.7	7.8	16.2	32.0
Income from operations						
Forward Air	86.1	14.1	78.7	15.7	7.4	9.4
FASI	6.0	4.8	2.1	1.9	3.9	185.7
TQI	4.3	8.8	3.6	8.6	0.7	19.4
Total	$ 96.4	12.3%	$ 84.4	12.9%	$ 12.0	14.2%

The following table presents the components of the Forward Air segment's operating revenue and purchased transportation for the years ended December 31, 2014 and 2013 (in millions):

	Year ended					
	December 31, 2014	Percent of Revenue	December 31, 2013	Percent of Revenue	Change	Percent Change
Operating Revenue						
Forward Air						
Airport-to-airport	$ 429.4	70.1%	$ 393.3	78.5%	$ 36.1	9.2%
Logistics services						
Expedited full truckload - TLX	77.7	12.7	74.4	14.8	3.3	4.4
Intermodal/drayage	55.3	9.0	5.1	1.0	50.2	984.3
Total Logistics services	133.0	21.7	79.5	15.8	53.5	67.3
Other Forward Air services	50.0	8.2	28.3	5.7	21.7	76.7
Forward Air - Total revenue	612.4	78.4	501.1	76.8	111.3	22.2
TQI - Pharmaceutical services	48.8	6.3	41.8	6.4	7.0	16.7
Forward Air Solutions - Pool distribution	125.2	16.0	113.4	17.4	11.8	10.4
Intersegment eliminations	(5.4)	(0.7)	(3.8)	(0.6)	(1.6)	42.1
Consolidated operating revenue	$ 781.0	100.0%	$ 652.5	100.0%	$ 128.5	19.7%

	Year ended					
	December 31, 2014	Percent of Revenue	December 31, 2013	Percent of Revenue	Change	Percent Change
Purchased Transportation						
Forward Air						
Airport-to-airport	$ 183.3	42.7%	$ 163.3	41.5%	$ 20.0	12.2%
Logistics services						
Expedited full truckload - TLX	59.8	77.0	56.2	75.5	3.6	6.4
Intermodal/drayage	21.7	39.2	3.1	60.8	18.6	600.0
Total Logistics services	81.5	61.3	59.3	74.6	22.2	37.4
Other Forward Air services	12.5	25.0	8.3	29.3	4.2	50.6
Forward Air - Total purchased transportation	277.3	45.3	230.9	46.1	46.4	20.1
TQI - Pharmaceutical services	24.7	50.6	23.2	55.5	1.5	6.5
Forward Air Solutions - Pool distribution	36.6	29.3	34.5	30.4	2.1	6.1
Intersegment eliminations	(4.0)	74.1	(2.9)	76.3	(1.1)	37.9
Consolidated purchased transportation	$ 334.6	42.8%	$ 285.7	43.8%	$ 48.9	17.1%

Year ended December 31, 2014 compared to Year ended December 31, 2013

Revenues

Operating revenue increased by $128.5 million, or 19.7%, to $781.0 million for the year ended December 31, 2014 from $652.5 million for the year ended December 31, 2013.

Forward Air

Forward Air operating revenue increased $111.3 million, or 22.2%, to $612.4 million from $501.1 million, accounting for 78.4% of consolidated operating revenue for the year ended December 31, 2014. Airport-to-airport revenue, which is the largest component of our consolidated operating revenue, increased $36.1 million, or 9.2%, from $393.3 million. Airport-to-airport revenue accounted for 70.1% of the Forward Air's operating revenue during the years ended December 31, 2014 compared to

78.5% for the year ended December 31, 2013. An increase in tonnage and increase in our base revenue per pound, excluding net fuel surcharge revenue and Forward Air Complete™ ("Complete") revenue, accounted for $27.4 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 3.2% for the year ended December 31, 2014 versus the year ended December 31, 2013. Tonnage that transited our network increased by 5.5% during the year ended December 31, 2014 compared with the year ended December 31, 2013. The remaining increase in airport-to-airport revenue was attributable to higher Complete pick-up and delivery revenue and net fuel surcharge revenue. Complete pick-up and delivery revenue increased $5.9 million, or 11.3%, during the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in Complete revenue is attributable to an increase in the attachment rate of our Complete service to our standard airport-to-airport linehaul service, to 18.1% in 2014 compared to 17.3% in 2013. Net fuel surcharge revenue increased $2.9 million, or 8.7%, during the year ended December 31, 2014 compared to the same period in 2013. Net fuel surcharge revenue increased largely on improved airport-to-airport tonnage volumes.

Logistics revenue, which is primarily TLX and intermodal drayage and priced on a per mile basis, increased $53.5 million, or 67.3%, to $133.0 million for the year ended December 31, 2014 from $79.5 million for the year ended December 31, 2013. The increase in logistics revenue was mostly attributable to a $50.2 million increase in intermodal drayage revenue in conjunction with the acquisition of CST. TLX revenue also increased $3.3 million, or 4.4%, during the year ended December 31, 2014, compared to the same period in 2013. The increase in TLX revenue was attributable to a 13.9% increase in revenue per mile partially offset by a 8.3% decrease in miles driven to support our TLX revenue. TLX's revenue per mile increased on a shift in business mix that provided a higher revenue per mile due to the required use of more expensive third party transportation providers.

Other revenue, which includes warehousing services and terminal handling, accounts for the final component of Forward Air operating revenue. Other revenue increased $21.7 million, or 76.7%, to $50.0 million during the year ended December 31, 2014 from $28.3 million during the year ended December 31, 2013. The increase in Forward Air other revenue was mainly attributable to $20.3 million in local delivery work, warehousing and handling revenues associated with the acquisition of CST and a $1.4 million increase in our previously existing Forward Air operations.

FASI

FASI operating revenue increased $11.8 million, or 10.4%, to $125.2 million for the year ended December 31, 2014 from $113.4 million for the year ended December 31, 2013. Approximately $5.1 million of the increase in revenue was attributable to new business wins from two new customers that were initiated during February and April 2013. Another $3.0 million of the revenue increase was attributable to new business wins from new customers added during 2014. The remaining increase is the net volume increases from previously existing customers and the impact of rate increases initiated with all customers during the first quarter of 2014. In order to service this new business, FASI opened three new agent stations and two new service centers.

TQI

TQI operating revenue increased $7.0 million, or 16.7%, to $48.8 million for the year ended December 31, 2014 from $41.8 million for the year ended December 31, 2013. Increase in operating revenue attributable to the year ended December 31, 2014 including a full twelve months of activity as opposed to only ten months during 2013 due to the timing of the TQI acquisition. The impact of a full year of operations was partially offset by a decrease in net fuel surcharge revenue.

Intercompany Eliminations

Intercompany eliminations increased $1.6 million, or 42.1%, to $5.4 million during the year ended December 31, 2014 from $3.8 million during the year ended December 31, 2013. The intercompany eliminations are the result of truckload, airport-to-airport, and handling services provided between our segments during the years ended December 31, 2014 and 2013.

Purchased Transportation

Purchased transportation increased by $48.9 million, or 17.1%, to $334.6 million for the year ended December 31, 2014 from $285.7 million for the year ended December 31, 2013. As a percentage of total operating revenue, purchased transportation was 42.8% during the year ended December 31, 2014 compared to 43.8% for the year ended December 31, 2013.

Forward Air

Forward Air's purchased transportation increased by $46.4 million, or 20.1%, to $277.3 million for the year ended December 31, 2014 from $230.9 million for the year ended December 31, 2013. As a percentage of segment operating revenue, Forward Air purchased transportation was 45.3% during the year ended December 31, 2014 compared to 46.1% for the year ended December 31, 2013.

Purchased transportation costs for our airport-to-airport network increased $20.0 million, or 12.2%, to $183.3 million for the year ended December 31, 2014 from $163.3 million for the year ended December 31, 2013. For the year ended December 31, 2014, purchased transportation for our airport-to-airport network increased to 42.7% of airport-to-airport revenue from 41.5% for the year ended December 31, 2013. The $20.0 million increase is mostly attributable to a 6.6% increase in miles driven by our network of owner-operators or third party transportation providers in addition to a 6.0% 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 $8.4 million while the increase in cost per mile increased purchased transportation $8.2 million. Miles driven by our network of owner-operators or third party transportation providers increased in conjunction with the tonnage increase discussed above and a shift in our customer and route mix. The shift in customer shipping patterns resulted in increased miles run, higher empty miles, and increased usage of third party transportation providers. The shift in customer shipping patterns as well as the need to obtain additional third party power to properly service the higher revenue activity resulted in the increase in the airport-to-airport cost per mile. The remaining $3.4 million increase in airport-to-airport purchased transportation was attributable to increased third party transportation costs associated with the higher Complete volumes discussed above.

Purchased transportation costs for our logistics revenue increased $22.2 million, or 37.4%, to $81.5 million for the year ended December 31, 2014 from $59.3 million for the year ended December 31, 2013. For the year ended December 31, 2014, logistics' purchased transportation costs represented 61.3% of logistics revenue versus 74.6% for the year ended December 31, 2013. The increase in logistics' purchased transportation in total dollars was mostly attributable to a $18.6 million increase in intermodal drayage purchased transportation in conjunction with the acquisition of CST. The decline in logistics' purchased transportation as a percentage of revenue was attributable to CST utilizing more Company-employed drivers and less owner-operators and third party transportation providers than our legacy Forward Air operations. TLX purchased transportation also increased $3.6 million and 6.4%. TLX cost per mile increased 15.8% during the year ended December 31, 2014 compared to the same period in 2013, but the increase in cost per mile was partially offset by a 8.3% decrease in miles driven to support our TLX revenue. The changes in TLX miles driven and cost per mile were attributable to the impact of severe weather in the first quarter of 2014 and a shift in customer mix that resulted in the increased use of more expensive third party transportation providers.

Purchased transportation costs related to our other revenue increased $4.2 million, or 50.6%, to $12.5 million for the year ended December 31, 2014 from $8.3 million for the year ended December 31, 2013. Other purchased transportation costs as a percentage of other revenue decreased to 25.0% of other revenue for the year ended December 31, 2014 from 29.3% for the year ended December 31, 2013. Other purchased transportation decreased as a percentage of the associated revenue on increased warehousing and handling revenues associated with the acquisition of CST. These CST services have a lower associated purchased transportation cost.

FASI

FASI purchased transportation increased $2.1 million, or 6.1%, to $36.6 million for the year ended December 31, 2014 from $34.5 million for the year ended December 31, 2013. FASI purchased transportation as a percentage of revenue was 29.3% for the year ended December 31, 2014 compared to 30.4% for the year ended December 31, 2013. The improvement in FASI purchased transportation as a percentage of revenue was attributable to improved revenue quality due to customer rate increases initiated in the first quarter of 2014 and reduced usage of more costly third party transportation providers. With the on boarding of significant new business in the first and second quarters of 2013, FASI was required to utilize more costly third party transportation providers in order to properly service the new business. However, since start-up of the 2013 business FASI has been able to replace third party transportation providers with less costly owner-operators or Company-employed drivers, modify routes for improved load efficiency and obtain rate increases from the related customers.

TQI

TQI purchased transportation increased $1.5 million, or 6.5%, to $24.7 million for the year ended December 31, 2014 from $23.2 million for the year ended December 31, 2013. TQI purchased transportation as a percentage of revenue was 50.6% for the year ended December 31, 2014 compared to 55.5% for the year ended December 31, 2013. The improvement in TQI purchased transportation as a percentage of revenue was largely due to increased utilization of less costly owner-operators and Company-employed drivers and vehicles as opposed to third party transportation providers and operating efficiencies obtained since installing a new operating system at the beginning of 2014.

Intercompany Eliminations

Intercompany eliminations increased $1.1 million, or 37.9%, to $4.0 million during the year ended December 31, 2014 from $2.9 million during the year ended December 31, 2013. The intercompany eliminations are the result of truckload and airport-to-airport services provided between our segments during the years ended December 31, 2014 and 2013.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits increased $31.0 million, or 20.5%, to $182.1 million for the year ended December 31, 2014 from $151.1 million for the year ended December 31, 2013. As a percentage of total operating revenue, salaries, wages and employee benefits was 23.3% during the year ended December 31, 2014 compared to 23.2% in December 31, 2013.

Forward Air

Salaries, wages and employee benefits of Forward Air increased by $26.3 million, or 25.0%, to $131.7 million for the year ended December 31, 2014 from $105.4 million for the year ended December 31, 2013. Salaries, wages and employee benefits were 21.5% of Forward Air's operating revenue for the year ended December 31, 2014 compared to 21.0% for the year ended December 31, 2013. The increase in salaries, wages and employee benefits in total dollars and as a percentage of revenue was partially attributable to $17.4 million of salaries, wages and employee benefits from CST. CST salaries, wages and employee benefits are higher as a percentage of revenue than our legacy Forward Air operations due to higher utilization of Company-employed drivers. The remaining $8.9 million increase is attributable to pre-existing Forward Air operations. Approximately $6.2 million of this increase was attributable to increased wages associated with the higher volumes discussed previously and 2013 and 2014 wage increases. The remaining increase was due to a $1.9 million increase in employee incentives, a $0.5 million increase in share-based compensation and $0.3 million increase in employee insurance costs. Employee incentives were increased in conjunction with certain key employees meeting their 2014 performance goals. Share-based compensation increased in conjunction with our 2014 annual share-based grants to employees. Employee insurances costs increased on Affordable Care Act fees and larger health insurance claims incurred during the year ended December 31, 2014 compared to the year ended December 31, 2013.

FASI

Salaries, wages and employee benefits of FASI increased by $2.7 million, or 6.9%, to $42.0 million for the year ended December 31, 2014 from $39.3 million for the year ended December 31, 2013. As a percentage of FASI operating revenue, salaries, wages and benefits decreased to 33.5% for the year ended December 31, 2014 compared to 34.7% for the year ended December 31, 2013. FASI salaries, wages and employee benefits are higher as a percentage of operating revenue than our Forward Air segment, as a larger percentage of FASI transportation services are performed by Company-employed drivers. The increase in salaries, wages and employee benefits in total dollars is largely due to higher wages and benefits which grew in conjunction with the revenue volume increases discussed previously. The improvement as a percentage of revenue was driven by improved dock wages net of increased health insurance costs. The decrease in dock wages was largely the result of installing and improving our terminal conveyor systems. Health insurance costs increased on several large claims incurred during the second and third quarters of 2014.

TQI

Salaries, wages and employee benefits of TQI increased by $2.0 million, or 31.3%, to $8.4 million for the year ended December 31, 2014 from $6.4 million for the year ended December 31, 2013. As a percentage of TQI operating revenue, salaries, wages and benefits increased to 17.2% for the year ended December 31, 2014 compared to 15.3% for the year ended December 31, 2013.The increase in salaries, wages and employee benefits as a percentage of revenue was driven by higher utilization of Company-employed drivers and increased health insurance costs, which accounted for 1.3% and 0.6%, respectively, of the 1.9% increase in salaries, wages and benefits as a percentage of revenue. Company-employed driver utilization increased in conjunction with new tractors purchased during 2014 and was offset by the decrease in purchased transportation discussed previously.

Operating Leases

Operating leases increased by \$4.7 million, or 16.0%, to \$34.0 million for the year ended December 31, 2014 from \$29.3 million in the year ended December 31, 2013. Operating leases, the largest component of which is facility rent, were 4.4% of consolidated operating revenue for the year ended December 31, 2014 compared with 4.5% for the year ended December 31, 2013.

Forward Air

Operating leases increased \$4.7 million, or 23.3%, to \$24.9 million for the year ended December 31, 2014 from \$20.2 million for the year ended December 31, 2013. Operating leases were 4.1% of Forward Air’s operating revenue for the year ended December 31, 2014 compared with 4.0% for the year ended December 31, 2013. Office and equipment rentals associated with CST accounted for \$4.4 million of the increase in operating leases. The remaining increase was driven by a \$0.3 million increase in office rentals. The increase in office rent was primarily due to relocations to new facilities or expansion of current facilities.

FASI

Operating leases were \$9.0 million during the years ended December 31, 2014 and 2013. Operating leases were 7.2% of FASI operating revenue for the year ended December 31, 2014 compared with 7.9% for the year ended December 31, 2013.

TQI

Operating leases were \$0.1 million during the years ended December 31, 2014 and 2013. Operating leases were 0.2% of FASI operating revenue for the years ended December 31, 2014 and 2013.

Depreciation and Amortization

Depreciation and amortization increased \$7.5 million, or 31.8%, to \$31.1 million for the year ended December 31, 2014 from \$23.6 million for the year ended December 31, 2013. Depreciation and amortization was 4.0% of consolidated operating revenue for the year ended December 31, 2014 and compared to 3.6% for the year ended December 31, 2013.

Forward Air

Depreciation and amortization decreased \$5.5 million, or 34.0%, to \$21.7 million for the year ended December 31, 2014 from \$16.2 million for the year ended December 31, 2013. Depreciation and amortization expense as a percentage of Forward Air operating revenue was 3.5% in the year ended December 31, 2014 compared to 3.2% for the year ended December 31, 2013. CST depreciation on property and equipment of \$0.7 million and amortization on acquired intangibles of \$2.6 million accounted for \$3.3 million of the increase in depreciation and amortization. The remaining increase was primarily the result of new trailers, tractors and forklifts purchased for during 2014.

FASI

Depreciation and amortization increased \$0.8 million, or 16.0%, to \$5.8 million for the year ended December 31, 2014 from \$5.0 million for the year ended December 31, 2013. Depreciation and amortization expense as a percentage of FASI operating revenue was 4.6% for the year ended December 31, 2014 compared to 4.4% for the year ended December 31, 2013. The increase in FASI depreciation is attributable to new tractors purchased to replace rented trucks, new conveyors and conveyor improvements purchased during 2014.

TQI

Depreciation and amortization increased \$1.2 million, or 50.0%, to \$3.6 million for the year ended December 31, 2014 from \$2.4 million for the year ended December 31, 2013. Depreciation and amortization expense as a percentage of TQI operating revenue was 7.4% for the year ended December 31, 2014 compared to 5.8% for the year ended December 31, 2013. The increase in depreciation and amortization as a percentage of revenue is attributable to new trailers and tractors purchased for TQI during 2014 and software amortization related to TQI's new operating system.

Insurance and Claims

Insurance and claims expense increased $3.2 million, or 25.6%, to $15.7 million for the year ended December 31, 2014 from $12.5 million for the year ended December 31, 2013. Insurance and claims was 2.0% of consolidated operating revenue during the year ended December 31, 2013 compared to 1.9% for the year ended December 31, 2013.

Forward Air

Forward Air insurance and claims expense increased $3.1 million, or 35.6%, to $11.8 million for the year ended December 31, 2014 from $8.7 million for the year ended December 31, 2013. Insurance and claims as a percentage of Forward Air's operating revenue was 1.9% for the year ended December 31, 2014 compared to 1.8% for the year ended December 31, 2013. Approximately $1.7 million of the increase was attributable to insurance and claims associated with CST. The remaining increase was attributable to a $0.6 million increase in cargo claims, $0.5 million increase in vehicle accident damage repairs, $0.2 million increase in vehicle insurance and accident claims and $0.1 million increase in claims related legal and professional fees.

FASI

FASI insurance and claims decreased $0.2 million. or 6.1%, to $3.1 million for the year ended December 31, 2014 from $3.3 million for the year ended December 31, 2013. As a percentage of operating revenue, insurance and claims was 2.5% for the year ended December 31, 2014 compared to 2.9% for the year ended December 31, 2013. The decrease in FASI insurance and claims was largely attributable to a $0.7 million decrease in cargo claims net of a $0.5 million increase in vehicle insurance and accident claims. The increase in vehicle insurance and accident claims was driven by reserves for an accident that occurred in the fourth quarter of 2014.

TQI

TQI insurance and claims increased $0.3 million, or 60.0%, to $0.8 million for the year ended December 31, 2014 from $0.5 million for the year ended December 31, 2013. As a percentage of operating revenue, insurance and claims was 1.7% for the year ended December 31, 2014 compared to 1.2% for the year ended December 31, 2013. The increase in total dollars was attributable to higher insurance premiums as a result of the increase in tractor count in conjunction with capital expenditures discussed previously.

Fuel Expense

Fuel expense increased $5.0 million, or 32.9%, to $20.2 million the year ended December 31, 2014 from $15.2 million million for the year ended December 31, 2013. Fuel expense was 2.6% of consolidated operating revenue for the year ended December 31, 2014 compared to 2.3% for the year ended December 31, 2013.

Forward Air

Forward Air fuel expense increased $4.4 million, or 110.0%, to $8.4 million for the year ended December 31, 2014 from $4.0 million in the year ended December 31, 2013. Fuel expense was 1.4% of Forward Air's operating revenue for the years ended December 31, 2014 compared to 0.8% for the year ended December 31, 2013. Approximately $4.3 million was attributable to fuel expense associated with CST. The remaining increase in fuel was attributable to our previously existing operations and increased in conjunction with the volume increases discussed previously.

FASI

FASI fuel expense increased $0.3 million, or 4.3%, to $7.3 million for the year ended December 31, 2014 from $7.0 million for the year ended December 31, 2013. Fuel expenses were 5.8% of FASI operating revenue during the year ended December 31, 2014 compared to 6.2% for the year ended December 31, 2013. 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 mostly the result of increased Company miles associated with the higher business volumes discussed previously and changes in average fuel prices.

TQI

TQI fuel expense increased $0.3 million, or 7.1%, to $4.5 million for the year ended December 31, 2014 from $4.2 million for the year ended December 31, 2013. Fuel expenses were 9.2% of FASI operating revenue during the year ended December 31, 2014 compared to 10.1% for the year ended December 31, 2013. TQI fuel expense is significantly higher as a percentage of operating revenue than Forward Air and FASI's fuel expense, as TQI utilizes a higher ratio of Company-employed drivers and Company-owned vehicles in its operations. The 0.9% decrease as percentage of revenue was attributable to lower year-over-year fuel prices during the second half of 2014 and new vehicles with improved transmissions put in service during the second quarter of 2014 that have reduced TQI's fuel cost per mile.

Other Operating Expenses

Other operating expenses increased $16.2 million, or 32.0%, to $66.9 million for the year ended December 31, 2014 from $50.7 million for the year ended December 31, 2013. Other operating expenses were 8.6% of consolidated operating revenue for the year ended December 31, 2014 compared with 7.8% for the year ended December 31, 2013.

Forward Air

Forward Air other operating expenses increased $13.5 million, or 36.5%, to $50.5 million for the year ended December 31, 2014 from $37.0 million for the year ended December 31, 2013. Forward Air other operating expenses were 8.2% of operating revenue for the year ended December 31, 2014 compared to 7.4% for the year ended December 31, 2013. Approximately $10.9 million of the increase in total dollars, or 0.9% as a percentage of revenue, was attributable to other operating expenses associated with CST. The remaining increase in total dollars was attributable to increased variable costs, such as vehicle maintenance and dock and terminal supplies, which increased in conjunction with the volume increases discussed previously.

FASI

FASI other operating expenses increased $2.2 million, or 16.7%, to $15.4 million for the year ended December 31, 2014 compared to $13.2 million for the year ended December 31, 2013. FASI other operating expenses were 12.3% of operating revenue for the year ended December 31, 2014 compared to 11.6% for the year ended December 31, 2013. The increase in FASI's other operating expenses as a percentage of revenue and in terms of total dollars was driven by a $1.7 million increase in agent station costs. As noted above, we opened additional agent stations to service the new business initiated during the first and second quarters of 2013. Agent station expense grew due to a shift in customer shipping destinations to include more volume to our agent locations. As percentage of revenue the increase in agent stations costs were partially offset by the increase in revenue exceeding the increase in other operating expenses such as vehicle maintenance and dock and terminal supplies.

TQI

TQI other operating expenses increased $1.0 million, or 71.4%, to $2.4 million for the year ended December 31, 2014 compared to $1.4 million for the year ended December 31, 2013. FASI other operating expenses were 4.9% of operating revenue for the year ended December 31, 2014 compared to 3.3% for the year ended December 31, 2013. The increase in other operating expenses as percentage of revenue was attributable to the year ended December 31, 2013 being reduced by a $0.6 million gain on the reduction in the fair value of the earn out liability associated with the acquisition of TQI. The reduction in the liability was the result of reductions in the projected cash flows used to estimate the fair value of the liability. The remaining increase in total dollars was attributable to increased variable costs, such as vehicle maintenance and dock and terminal supplies, which increased in conjunction with the volume increases discussed previously.

Intercompany Eliminations

Intercompany eliminations were $1.4 million during the year ended December 31, 2014 compared to $0.9 million for the year ended December 31, 2013. The intercompany eliminations are for agent station services Forward Air and FASI provided each other during the years ended December 31, 2014 and 2013.

Income from Operations

Income from operations increased by $12.0 million, or 14.2%, to $96.4 million for the year ended December 31, 2014 compared with $84.4 million for the year ended December 31, 2013. Income from operations was 12.3% of consolidated operating revenue for the year ended December 31, 2014 compared with 12.9% for the year ended December 31, 2013.

Forward Air

Forward Air income from operations increased by $7.4 million, or 9.4%, to $86.1 million for the year ended December 31, 2014 compared with $78.7 million for the year ended December 31, 2013. Forward Air's income from operations was 14.1% of operating revenue for the year ended December 31, 2014 compared with 15.7% for the year ended December 31, 2013. The increase in operating income was attributable to the acquisition of CST which accounted for $7.1 million of operating income. Excluding CST, the remaining increase in operating income was driven by the increase in airport-to-airport revenue largely offset by higher purchased transportation costs.

FASI

FASI income from operations improved by $3.9 million, to $6.0 million for the year ended December 31, 2014 from $2.1 million for the year ended December 31, 2013. FASI income from operations was 4.8% of operating revenue for the year ended December 31, 2014 compared 1.9% of operating revenue for the year ended December 31, 2013. The improvement in operating performance is largely attributable to the increase in revenue as well as improved efficiencies and savings obtained primarily in our dock and total driver costs during the year ended December 31, 2014 compared to the same period in 2013.

TQI

TQI income from operations improved by $0.7 million, or 19.4%, to $4.3 million for the year ended December 31, 2014 from $3.6 million for the year ended December 31, 2013. TQI income from operations was 8.8% of operating revenue for the year ended December 31, 2014 compared 8.6% of operating revenue for the year ended December 31, 2013. Improvement in income from operations as percentage of revenue was attributable to higher revenue and increased utilization of owner-operators and Company-employed drivers as opposed to more costly third party transportation providers. These decreases were largely offset by a $0.6 million gain on the reduction of the earn out liability increasing income from operations for the year ended December 31, 2013.

Interest Expense

Interest expense was $0.6 million for the year ended December 31, 2014 and increased $0.1 million, or 20.0%, from $0.5 million for the year ended December 31, 2013. Increase is primarily attributable to accrued interest on income tax contingency accruals.

Other, Net

Other, net of $0.3 million for the year ended December 31, 2014, primarily represents interest income earned on excess cash balances and unrealized gains on trading securities held.

Provision for Income Taxes

The combined federal and state effective tax rate for the year ended December 31, 2014 was 36.3% compared to an effective rate of 35.1% for the year ended December 31, 2013. The increase in our effective tax rate was largely due to the timing of deductions for incentive stock options.

Net Income

As a result of the foregoing factors, net income increased by $6.7 million, or 12.3%, to $61.2 million for the year ended December 31, 2014 compared to $54.5 million for the year ended December 31, 2013.

Results of Operations

The following table sets forth our historical financial data for the years ended December 31, 2013 and 2012 (in millions):

	Year ended			
	December 31, 2013	**December 31, 2012**	**Change**	**Percent Change**
Operating revenue	$ 652.5	$ 584.4	$ 68.1	11.7%
Operating expenses:				
Purchased transportation	285.7	252.7	33.0	13.1
Salaries, wages, and employee benefits	151.1	135.0	16.1	11.9
Operating leases	29.3	28.0	1.3	4.6
Depreciation and amortization	23.6	21.1	2.5	11.8
Insurance and claims	12.5	11.3	1.2	10.6
Fuel expense	15.2	10.0	5.2	52.0
Other operating expenses	50.7	42.8	7.9	18.5
Total operating expenses	568.1	500.9	67.2	13.4
Income from operations	84.4	83.5	0.9	1.1
Other income (expense):				
Interest expense	(0.5)	(0.4)	(0.1)	25.0
Other, net	0.1	—	0.1	100.0
Total other expense	(0.4)	(0.4)	—	—
Income before income taxes	84.0	83.1	0.9	1.1
Income taxes	29.5	30.4	(0.9)	(3.0)
Net income	$ 54.5	$ 52.7	$ 1.8	3.4%

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

	Year ended					
	December 31, 2013	Percent of Revenue	December 31, 2012	Percent of Revenue	Change	Percent Change
Operating revenue						
Forward Air	$ 501.1	76.8%	$ 501.7	85.9%	$ (0.6)	(0.1)%
FASI	113.4	17.4	85.0	14.5	28.4	33.4
TQI	41.8	6.4	—	—	41.8	100.0
Intercompany eliminations	(3.8)	(0.6)	(2.3)	(0.4)	(1.5)	65.2
Total	652.5	100.0	584.4	100.0	68.1	11.7
Purchased transportation						
Forward Air	230.9	46.1	231.4	46.1	(0.5)	(0.2)
FASI	34.5	30.4	23.3	27.4	11.2	48.1
TQI	23.2	55.5	—	—	23.2	100.0
Intercompany eliminations	(2.9)	76.3	(2.0)	87.0	(0.9)	45.0
Total	285.7	43.8	252.7	43.3	33.0	13.1
Salaries, wages and employee						
Forward Air	105.4	21.0	103.1	20.6	2.3	2.2
FASI	39.3	34.7	31.9	37.5	7.4	23.2
TQI	6.4	15.3	—	—	6.4	100.0
Total	151.1	23.2	135.0	23.1	16.1	11.9
Operating leases						
Forward Air	20.2	4.0	20.4	4.1	(0.2)	(1.0)
FASI	9.0	7.9	7.6	9.0	1.4	18.4
TQI	0.1	0.2	—	—	0.1	100.0
Total	29.3	4.5	28.0	4.8	1.3	4.6
Depreciation and amortization						
Forward Air	16.2	3.2	16.4	3.3	(0.2)	(1.2)
FASI	5.0	4.4	4.7	5.5	0.3	6.4
TQI	2.4	5.8	—	—	2.4	100.0
Total	23.6	3.6	21.1	3.6	2.5	11.8
Insurance and claims						
Forward Air	8.7	1.8	8.9	1.8	(0.2)	(2.2)
FASI	3.3	2.9	2.4	2.8	0.9	37.5
TQI	0.5	1.2	—	—	0.5	100.0
Total	12.5	1.9	11.3	1.9	1.2	10.6
Fuel expense						
Forward Air	4.0	0.8	4.2	0.8	(0.2)	(4.8)
FASI	7.0	6.2	5.8	6.8	1.2	20.7
TQI	4.2	10.1	—	—	4.2	100.0
Total	15.2	2.3	10.0	1.7	5.2	52.0
Other operating expenses						
Forward Air	37.0	7.4	35.8	7.1	1.2	3.4
FASI	13.2	11.6	7.3	8.6	5.9	80.8
TQI	1.4	3.3	—	—	1.4	100.0
Intercompany eliminations	(0.9)	23.7	(0.3)	13.0	(0.6)	200.0
Total	50.7	7.8	42.8	7.3	7.9	18.5
Income from operations						
Forward Air	78.7	15.7	81.5	16.2	(2.8)	(3.4)
FASI	2.1	1.9	2.0	2.4	0.1	5.0
TQI	3.6	8.6	—	—	3.6	100.0
Total	$ 84.4	12.9%	$ 83.5	14.3%	$ 0.9	1.1 %

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

	Year ended					
	December 31, 2013	Percent of Revenue	December 31, 2012	Percent of Revenue	Change	Percent Change
Operating Revenue						
Forward Air						
Airport-to-airport	$ 393.3	78.5%	$ 391.2	78.0%	$ 2.1	0.5%
Logistics services						
Expedited full truckload - TLX	74.4	14.8	77.0	15.3	(2.6)	(3.4)
Intermodal/drayage	5.1	1.0	5.9	1.2	(0.8)	(13.6)
Total Logistics services	79.5	15.8	82.9	16.5	(3.4)	(4.1)
Other Forward Air services	28.3	5.7	27.6	5.5	0.7	2.5
Forward Air - Total revenue	501.1	76.8	501.7	85.9	(0.6)	(0.1)
TQI - Pharmaceutical services	41.8	6.4	—	—	41.8	100.0
Forward Air Solutions - Pool distribution	113.4	17.4	85.0	14.5	28.4	33.4
Intersegment eliminations	(3.8)	(0.6)	(2.3)	(0.4)	(1.5)	65.2
Consolidated operating revenue	$ 652.5	100.0%	$ 584.4	100.0%	$ 68.1	11.7%

	Year ended					
	December 31, 2013	Percent of Revenue	December 31, 2012	Percent of Revenue	Change	Percent Change
Purchased Transportation						
Forward Air						
Airport-to-airport	$ 163.3	41.5%	$ 160.7	41.1%	$ 2.6	1.6%
Logistics services						
Expedited full truckload - TLX	56.2	75.5	59.2	76.9	(3.0)	(5.1)
Intermodal/drayage	3.1	60.8	3.5	59.3	(0.4)	(11.4)
Total Logistics services	59.3	74.6	62.7	75.6	(3.4)	(5.4)
Other Forward Air services	8.3	29.3	8.0	29.0	0.3	3.8
Forward Air - Total purchased transportation	230.9	46.1	231.4	46.1	(0.5)	(0.2)
TQI - Pharmaceutical services	23.2	55.5	—	—	23.2	100.0
Forward Air Solutions - Pool distribution	34.5	30.4	23.3	27.4	11.2	48.1
Intersegment eliminations	(2.9)	76.3	(2.0)	87.0	(0.9)	45.0
Consolidated purchased transportation	$ 285.7	43.8%	$ 252.7	43.3%	$ 33.0	13.1%

Year ended December 31, 2013 compared to Year ended December 31, 2012

Revenues

Operating revenue increased by $68.1 million, or 11.7%, to $652.5 million for the year ended December 31, 2013 from $584.4 million for the year ended December 31, 2012.

Forward Air

Forward Air operating revenue decreased $0.6 million, or 0.1%, to $501.1 million from $501.7 million, accounting for 76.8% of consolidated operating revenue for the year ended December 31, 2013. Airport-to-airport revenue, which is the largest component of our consolidated operating revenue, increased $2.1 million, or 0.5%, to $393.3 million from $391.2 million. Airport-to-airport revenue accounted for 78.5% of the Forward Air's operating revenue during the years ended December 31, 2013 compared to 78.0% for the year ended December 31, 2012. An increase in tonnage net of a decline in our base revenue per pound, excluding net fuel surcharge revenue and Forward Air Complete™ ("Complete") revenue, accounted for $2.9 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, decreased 0.4% for the year ended December 31, 2013 versus the year ended December 31, 2012. Tonnage that transited our network increased by 1.4% during the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase in airport-to-airport revenue was partially offset by a decrease in Complete pick-up and delivery revenue. Complete pick-up and delivery revenue decreased $0.9 million, or 1.7%, during the year ended December 31, 2013 compared to the year ended December 31, 2012. The decrease in Complete revenue is attributable to a reduction in the attachment rate of our Complete service to our standard airport-to-airport linehaul service, to 17.3% in 2013 compared to 23.1% in 2012. The decline in the Complete attachment rate was mainly attributable to the loss of a customer. Airport-to-airport net fuel surcharge revenue for the year ended December 31, 2013 was flat compared to the year ended December 31, 2012.

Logistics revenue, which is primarily TLX and priced on a per mile basis, decreased $3.4 million, or 4.1%, to $79.5 million for the year ended December 31, 2013 from $82.9 million for the year ended December 31, 2012. TLX revenue decreased $2.6 million, or 3.4%, year-over-year as miles driven to support our TLX revenue decreased 3.8%. However, the decline in TLX mileage was partially offset by a 0.4% increase in TLX average revenue per mile. The change in miles and average revenue per mile is mostly attributable to a change in customer mix. The remaining $0.8 million decrease in logistics revenue was attributable to declines in our drayage business and other non-mileage based services. Drayage services declined $0.8 million on the loss of a customer.

Other revenue, which includes warehousing services and terminal handling, accounts for the final component of Forward Air operating revenue. Other revenue increased $0.7 million, or 2.5%, to $28.3 million during the year ended December 31, 2013 from $27.6 million during the year ended December 31, 2012. The increase in revenue was mainly attributable to container handling services performed at certain terminals.

FASI

FASI operating revenue increased $28.4 million, or 33.4%, to $113.4 million for the year ended December 31, 2013 from $85.0 million for the year ended December 31, 2012. The increase in revenue was attributable to new business wins, primarily from two new customers that were initiated during the fourth quarter of 2012, February 2013 and April 2013. In order to service this new business FASI opened three new agent stations and two new service centers.

TQI

TQI operating revenue of $41.8 million represents temperature-controlled truckload and less-than-truckload services provided from the acquisition date of March 4, 2013 through December 31, 2013.

Intercompany Eliminations

Intercompany eliminations increased $1.5 million, or 65.2%, to $3.8 million during the year ended December 31, 2013 from $2.3 million during the year ended December 31, 2012. The intercompany eliminations are the result of truckload, airport-to-airport, and handling services Forward Air provided to FASI, truckload services Forward Air provided to TQI and FASI cartage and handling services provided to Forward Air.

Purchased Transportation

Purchased transportation increased by $33.0 million, or 13.1%, to $285.7 million for the year ended December 31, 2013 from $252.7 million for the year ended December 31, 2012. As a percentage of total operating revenue, purchased transportation was 43.8% during the year ended December 31, 2013 compared to 43.3% for the year ended December 31, 2012.

Forward Air

Forward Air's purchased transportation decreased by $0.5 million, or 0.2%, to $230.9 million for the year ended December 31, 2013 from $231.4 million for the year ended December 31, 2012. The decrease in purchased transportation is primarily attributable to 0.6% decrease in the total cost per mile, net of a 0.4% increase in miles driven for the year ended December 31, 2013 versus the year ended December 31, 2012. As a percentage of segment operating revenue, Forward Air purchased transportation was 46.1% during the years ended December 31, 2013 and 2012.

Purchased transportation costs for our airport-to-airport network increased $2.6 million, or 1.6%, to $163.3 million for the year ended December 31, 2013 from $160.7 million for the year ended December 31, 2012. For the year ended December 31, 2013, purchased transportation for our airport-to-airport network increased to 41.5% of airport-to-airport revenue from 41.1% for the year ended December 31, 2012. The $2.6 million increase is partially attributable to a 2.3% increase in miles driven by our network of owner-operators or third party transportation providers in addition to a 0.3% 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 $2.9 million while the increase in cost per mile increased purchased transportation $0.4 million. Miles driven by our network of owner-operators or third party transportation providers increased in conjunction with the tonnage increase discussed above and a shift in our customer and route mix. The 0.3% increase in airport-to-airport cost per mile was mostly the result of increased utilization of more costly third party transportation providers as opposed to our network of owner-operators. These increases associated with higher airport-to-airport mileage and cost per mile, were partially offset by a $0.7 million decrease in third party transportation costs associated with the reduced Complete volumes discussed above.

Purchased transportation costs for our logistics revenue decreased $3.4 million, or 5.4%, to $59.3 million for the year ended December 31, 2013 from $62.7 million for the year ended December 31, 2012. For the year ended December 31, 2013, logistics' purchased transportation costs represented 74.6% of logistics revenue versus 75.6% for the year ended December 31, 2012. The reduction in logistics' purchased transportation was largely attributable to a $3.0 million, or 5.1%, decrease in TLX purchased transportation. Miles driven to support our TLX revenue decreased 3.8% and the cost per mile decreased 1.3% year-over-year. The improvement in the cost per mile was the result of increased utilization of our network of owner-operators, as opposed to more costly third party transportation providers. The remaining $0.4 million decrease in logistics purchase transportation was attributable to $0.4 million decrease in our drayage business. Purchased transportation for our drayage services declined in conjunction with the drayage revenue decline discussed previously.

Purchased transportation costs related to our other revenue increased $0.3 million, or 3.8%, to $8.3 million for the year ended December 31, 2013 from $8.0 million for the year ended December 31, 2012. Other purchased transportation costs as a percentage of other revenue increased to 29.3% of other revenue for the year ended December 31, 2013 from 29.0% for the year ended December 31, 2012. Other purchased transportation increased as a percentage of the associated revenue as certain airport-to-airport linehaul business required the use of local pick-up and delivery services. This new business required us to incur other purchased transportation costs without direct corresponding other revenue.

FASI

FASI purchased transportation increased $11.2 million, or 48.1%, to $34.5 million for the year ended December 31, 2013 from $23.3 million for the year ended December 31, 2012. FASI purchased transportation as a percentage of revenue was 30.4% for the year ended December 31, 2013 compared to 27.4% for the year ended December 31, 2012. The increase in FASI purchased transportation as a percentage of revenue was attributable to the new business discussed above having an increased linehaul component which increased the utilization of owner-operators and third-party transportation providers.

TQI

TQI purchased transportation of $23.2 million, or 55.5% of revenue, represents costs associated with payments to owner-operators, Forward Air and third party transportation providers for services performed from the acquisition date of March 4, 2013 through December 31, 2013.

Intercompany Eliminations

Intercompany eliminations increased $0.9 million, or 45.0%, to $2.9 million during the year ended December 31, 2013 from $2.0 million during the year ended December 31, 2012. The intercompany eliminations are the result of truckload, airport-to-airport, and handling services Forward Air provided to FASI, truckload services Forward Air provided to TQI and FASI cartage and handling services provided to Forward Air.

Salaries, Wages, and Benefits

Salaries, wages and employee benefits increased $16.1 million, or 11.9%, to $151.1 million for the year ended December 31, 2013 from $135.0 million for the year ended December 31, 2012. As a percentage of total operating revenue, salaries, wages and employee benefits was 23.2% during the year ended December 31, 2013 compared to 23.1% in December 31, 2012.

Forward Air

Salaries, wages and employee benefits of Forward Air increased by $2.3 million, or 2.2%, to $105.4 million for the year ended December 31, 2013 from $103.1 million for the year ended December 31, 2012. Salaries, wages and employee benefits were 21.0% of Forward Air's operating revenue for the year ended December 31, 2013 compared to 20.6% for the year ended December 31, 2012. The increase in salaries, wages and employee benefits in total dollars and as a percentage of revenue was mainly due to increased health insurance and workers' compensation expenses and higher wages and benefits paid to employees, net of reductions in employee incentives. Health insurance and workers' compensation expenses increased $2.0 million for the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase was largely driven by increased health insurance claims in 2013 and favorable claim development in the second quarter of 2012 identified in our semi-annual actuarial review. A similar favorable development did not recur in 2013. Wages and benefits paid to employees increased $2.5 million, or 3.0%, mainly as a result of 2013 cost of living increases and a full year of 2012 merit pay increases. Accruals for employee incentives decreased approximately $2.2 million as incentives were reduced in conjunction with Forward Air not meeting earnings and performance goals.

FASI

Salaries, wages and employee benefits of FASI increased by $7.4 million, or 23.2%, to $39.3 million for the year ended December 31, 2013 from $31.9 million for the year ended December 31, 2012. As a percentage of FASI operating revenue, salaries, wages and benefits decreased to 34.7% for the year ended December 31, 2013 compared to 37.5% for the year ended December 31, 2012. FASI salaries, wages and employee benefits are higher as a percentage of operating revenue than our Forward Air segment, as a larger percentage of FASI transportation services are performed by Company-employed drivers. The increase in salaries, wages and employee benefits in total dollars is largely due to higher wages and benefits that increased in conjunction with the revenue volumes discussed previously. The decline as a percentage of revenue is largely attributable to improved terminal labor efficiency during 2013 and leverage on fixed salaries and benefits as a result of the increased revenue volumes discussed above.

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

TQI

TQI salaries, wages and employee benefits were $6.4 million, or 15.3% of revenue, and represent salaries, wages and benefits for Company-employed drivers, other operations personnel and TQI management since the acquisition on March 4, 2013 through December 31, 2013.

Operating Leases

Operating leases increased by $1.3 million, or 4.6%, to $29.3 million for the year ended December 31, 2013 from $28.0 million in the year ended December 31, 2012. Operating leases, the largest component of which is facility rent, were 4.5% of consolidated operating revenue for the year ended December 31, 2013 compared with 4.8% for the year ended December 31, 2012.

Forward Air

Operating leases decreased $0.2 million, or 1.0%, to $20.2 million for the year ended December 31, 2013 from $20.4 million for the year ended December 31, 2012. Operating leases were 4.0% of Forward Air's operating revenue for the year ended December 31, 2013 compared with 4.1% for the year ended December 31, 2012. The decrease in operating leases was the result of a $0.4 million decrease in trailer and $0.2 million decrease in truck rentals, partially offset by a $0.4 million increase in facility rent. The decline in trailer and truck rentals was in conjunction with new trailers and trucks purchased during 2013. Office rent increased on relocation of certain facilities to larger, more expensive facilities.

FASI

Operating leases increased $1.4 million, or 18.4%, to $9.0 million for the year ended December 31, 2013 from $7.6 million for the year ended December 31, 2012. Operating leases were 7.9% of FASI operating revenue for the year ended December 31, 2013 compared with 9.0% for the year ended December 31, 2012. The increase in total dollars was attributable to $1.4 million increase for additional trailer and truck leases and rentals due to the increased revenue volumes discussed previously.

Further, FASI facility lease expense did not increase for the new locations opened in conjunction with the new business, as the new locations were either agent stations or service centers operated within a customer's facility.

TQI

Operating lease expense for TQI was $0.1 million, or 0.2% of operating revenue, for the year ended December 31, 2013, as currently TQI does not utilize leased or rented equipment and only leases one facility for its administrative offices.

Depreciation and Amortization

Depreciation and amortization increased $2.5 million, or 11.8%, to $23.6 million for the year ended December 31, 2013 from $21.1 million for the year ended December 31, 2012. Depreciation and amortization was 3.6% of consolidated operating revenue for the years ended December 31, 2013 and 2012.

Forward Air

Depreciation and amortization decreased $0.2 million, or 1.2%, to $16.2 million for the year ended December 31, 2013 from $16.4 million for the year ended December 31, 2012. Depreciation and amortization expense as a percentage of Forward Air operating revenue was 3.2% in the year ended December 31, 2013 compared to 3.3% for the year ended December 31, 2012. Depreciation decreased year-over-year as certain internally developed software and older trailers became fully depreciated, but these decreases were partially offset by depreciation on new trucks and trailers purchased during 2013.

FASI

Depreciation and amortization increased $0.3 million, or 6.4%, to $5.0 million for the year ended December 31, 2013 from $4.7 million for the year ended December 31, 2012. Depreciation and amortization expense as a percentage of FASI operating revenue was 4.4% for the year ended December 31, 2013 compared to 5.5% for the year ended December 31, 2012. The increase in FASI depreciation is attributable to new tractors purchased to replace aging, fully depreciated equipment.

TQI

TQI depreciation and amortization of $2.4 million, or 5.8% of revenue, represents $0.9 million of depreciation on acquired equipment and $1.5 million of amortization on acquired intangible assets since the acquisition of TQI on March 4, 2013.

Insurance and Claims

Insurance and claims expense increased $1.2 million, or 10.6%, to $12.5 million for the year ended December 31, 2013 from $11.3 million for the year ended December 31, 2012. Insurance and claims was 1.9% of consolidated operating revenue during the years ended December 31, 2013 and 2012.

Forward Air

Forward Air insurance and claims expense decreased $0.2 million, or 2.2%, to $8.7 million for the year ended December 31, 2013 from $8.9 million for the year ended December 31, 2012. Insurance and claims as a percentage of Forward Air’s operating revenue was 1.8% for the years ended December 31, 2013 and 2012. The decrease in Forward Air insurance and claims was driven by a $0.9 million decrease in cargo claims partially offset by a $0.5 million increase in vehicle accident repairs and a $0.2 million increase in insurance related costs. Cargo claims decreased due to 2012 including several unusually large claims, while 2013 did not include any similar claims.

FASI

FASI insurance and claims increased $0.9 million. or 37.5%, to $3.3 million for the year ended December 31, 2013 from $2.4 million for the year ended December 31, 2012. As a percentage of operating revenue, insurance and claims was 2.9% for the year ended December 31, 2013 compared to 2.8% for the year ended December 31, 2012. The increase in FASI insurance and claims was largely attributable to a $0.4 million increase in cargo claims, a $0.3 million increase in vehicle accident repairs and a $0.2 million increase in reserves for accident claims and related insurance costs.

TQI

TQI insurance and claims of $0.5 million, or 1.2% of revenue, includes $0.4 million for insurance premiums and $0.1 million of vehicle accident repairs since the TQI acquisition on March 4, 2013 through December 31, 2013.

Fuel Expense

Fuel expense increased $5.2 million, or 52.0%, to $15.2 million for the year ended December 31, 2013 and from $10.0 million for the year ended December 31, 2012. Fuel expense was 2.3% of consolidated operating revenue for the year ended December 31, 2013 compared to 1.7% for the year ended December 31, 2012.

Forward Air

Forward Air fuel expense decreased $0.2 million, or 4.8%, to $4.0 million for the year ended December 31, 2013 from $4.2 million in the year ended December 31, 2012. Fuel expense was 0.8% of Forward Air’s operating revenue for the years ended December 31, 2013 and 2012.

FASI

FASI fuel expense increased $1.2 million, or 20.7%, to $7.0 million for the year ended December 31, 2013 from $5.8 million for the year ended December 31, 2012. Fuel expenses were 6.2% of FASI operating revenue during the year ended December 31, 2013 compared to 6.8% for the year ended December 31, 2012. 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 mostly the result of increased Company miles associated with the higher business volumes discussed previously and changes in average fuel prices.

TQI

TQI fuel expense was $4.2 million, or 10.1% of revenue, and represents fuel expense incurred since the acquisition of TQI on March 4, 2013 through December 31, 2013. TQI fuel expense is significantly higher as a percentage of operating revenue than Forward Air and FASI's fuel expense, as TQI utilizes a higher ratio of Company-employed drivers and Company-owned vehicles in its operations.

Other Operating Expenses

Other operating expenses increased $7.9 million, or 18.5%, to $50.7 million for the year ended December 31, 2013 from $42.8 million for the year ended December 31, 2012. Other operating expenses were 7.8% of consolidated operating revenue for the year ended December 31, 2013 compared with 7.3% for the year ended December 31, 2012.

Forward Air

Forward Air other operating expenses increased $1.2 million, or 3.4%, to $37.0 million for the year ended December 31, 2013 from $35.8 million for the year ended December 31, 2012. Forward Air other operating expenses were 7.4% of operating revenue for the year ended December 31, 2013 compared to 7.1% for the year ended December 31, 2012. The increase in other operating expenses in total dollars is attributable to increased variable costs, such as vehicle maintenance and dock and terminal supplies, during the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase in other operating expenses as a percentage of revenue was mostly attributable to $1.1 million of merger and acquisition related costs, $0.2 million increase in bad debt reserves and $0.8 million increase in other taxes and licenses. These increases were partially offset by a $0.8 million increase in gains on the disposal of operating equipment for the year ended December 31, 2013 compared to the year ended December 31, 2012.

FASI

FASI other operating expenses increased $5.9 million, or 80.8%, to $13.2 million for the year ended December 31, 2013 compared to $7.3 million for the year ended December 31, 2012. FASI other operating expenses were 11.6% of operating revenue for the year ended December 31, 2013 compared to 8.6% for the year ended December 31, 2012. The increase in FASI's other operating expenses as a percentage of revenue and in terms of total dollars, was driven by a $4.5 million increase in agent station costs. As noted above, we opened additional agent stations to service the new business initiated during February and April 2013.

The remaining increase is attributable to higher variable terminal and maintenance costs which increased in conjunction with the revenue volumes discussed previously.

TQI

TQI other operating expenses were $1.4 million, or 3.3% of revenue, and represent costs such as vehicle maintenance and miscellaneous office and administrative expenses incurred since the acquisition of TQI on March 4, 2013 through December 31, 2013. Other operating expenses for TQI were reduced by $0.6 million reduction in the fair value of the earn out liability associated with the acquisition of TQI. The reduction in the liability was the result of reductions in the projected cash flows used to estimate the fair value of the liability.

Intercompany Eliminations

Intercompany eliminations were $0.9 million during the year ended December 31, 2013 compared to $0.3 million for the year ended December 31, 2012. The intercompany eliminations are for agent station services Forward Air and FASI provided each other during the years ended December 31, 2013 and 2012.

Income from Operations

Income from operations increased by $0.9 million, or 1.1%, to $84.4 million for the year ended December 31, 2013 compared with $83.5 million for the year ended December 31, 2012. Income from operations was 12.9% of consolidated operating revenue for the year ended December 31, 2013 compared with 14.3% for the year ended December 31, 2012.

Forward Air

Forward Air income from operations decreased by $2.8 million, or 3.4%, to $78.7 million for the year ended December 31, 2013 compared with $81.5 million for the year ended December 31, 2012. Forward Air’s income from operations was 15.7% of operating revenue for the year ended December 31, 2013 compared with 16.2% for the year ended December 31, 2012. The decline in income from operations was primarily the result of reduced revenue and increased workers' compensation and health insurance costs.

FASI

FASI income from operations improved by $0.1 million, or 5.0%, to $2.1 million for the year ended December 31, 2013 from $2.0 million for the year ended December 31, 2012. FASI income from operations was 1.9% of operating revenue for the year ended December 31, 2013 compared 2.4% of operating revenue for the year ended December 31, 2012. The decline in income from operations as a percentage of revenue is largely attributable to start up and integration costs as FASI's struggled to efficiently integrate new business.

TQI

TQI income from operations was $3.6 million, or 8.6% of revenue, since the acquisition of TQI on March 4, 2013 through December 31, 2013. TQI income from operations benefited from the $0.6 million reduction in the fair value of the earn out liability associated with the acquisition of TQI.

Interest Expense

Interest expense was $0.5 million for the year ended December 31, 2013 and increased $0.1 million, or 25.0%, from $0.4 million for the year ended December 31, 2012. Increase is primarily a full year of fees associated with our line of credit and accrued interest on income tax contingency accruals.

Other, Net

Other, net of $0.1 million for the year ended December 31, 2013, primarily represents interest income earned on excess cash balances and unrealized gains on trading securities held.

Provision for Income Taxes

The combined federal and state effective tax rate for the year ended December 31, 2013 was 35.1% compared to an effective rate of 36.7% for the year ended December 31, 2012. The reduction in our effective tax rate was due to the 2013 retroactive reinstatement of alternative fuel tax credits for 2012 and benefits obtained from disqualified dispositions by employees of previously non-deductible incentive stock options.

Net Income

As a result of the foregoing factors, net income increased by $1.8 million, or 3.4%, to $54.5 million for the year ended December 31, 2013 compared to $52.7 million for the year ended December 31, 2012.

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% for Forward Air's airport-to-airport and TLX operations, 10% for Forward Air's intermodal drayage operations, 25% for FASI, 10% for TQI's pharmaceutical operations and 50% for TQI's non-pharmaceutical operations. 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 2014, average revenue adjustments per month were approximately $0.2 million, on average revenue per month of approximately $65.1 million (approximately 0.3% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, we prepare an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, we establish an allowance for approximately 45-100 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 employee 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 employee health insurance claims exceeding approximately $0.3 million, except in Ohio, where we are a qualified self-insured entity with an approximately $0.5 million self-insured retention. The amount of self-insurance loss reserves and loss adjustment expenses is determined based on an estimation process that uses information obtained from both company-specific and industry data, as well as general economic information. The estimation process for self-insurance loss exposure requires management to continuously monitor and evaluate the life cycle of claims. Using data obtained from this monitoring and our assumptions about the emerging trends, management develops information about the size of ultimate claims based on its historical experience and other available market information. The most significant assumptions used in the estimation process include determining the trend in loss costs, the expected consistency in the frequency and severity of claims incurred but not yet reported, changes in the timing of the reporting of losses from the loss date to the notification date, and expected costs to settle unpaid claims. We utilize semi-annual actuarial analysis to evaluate the open vehicle liability and workers' compensation claims and estimate the ongoing development exposure.

Changes in the inputs described above, such as claim life cycles, severity of claims and trends in loss costs, can result in material changes to our self-insurance loss reserves. Historically, significant changes in one assumption or changes in several assumptions have resulted in both increases and decreases to self-insurance loss reserves. Based on facts and circumstances one significant claim, such as a dock or vehicle accident, could result in an immediate increase in our self-insurance loss reserves of at least $0.3 million to $0.5 million, our self-insured retention limits. Significant facts and circumstances for a claim would involve the degree of injuries, whether fatalities occurred, the amount of property damage, the degree of our involvement and whether or not our employees or representatives followed our processes and procedures. However, changes in the above variables could also reduce our self-insurance loss reserves. For example, during the second quarter of 2012, we reduced our workers' compensation loss reserve by approximately $1.1 million as the result of improvements in our loss experience and in the severity of claims incurred over a certain period of time.

Revenue Recognition

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

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, 2014, we had state net operating loss carryforwards of $6.5 million for certain legal entities that will expire between 2015 and 2029. The use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations for the related legal entities will not generate sufficient taxable income to realize the net operating loss benefits for these state loss carryforwards. As a result, a valuation allowance has been provided for these state loss carryforwards. The valuation allowance on these certain state loss carryforwards was approximately $0.3 million at December 31, 2014.

Valuation of Goodwill

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

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

In 2014, we performed a fair value estimation for each reporting unit. Our 2014 calculations for each reporting unit indicated that, as of June 30, 2014, the fair value of each reporting unit exceeded their carrying value by a range of approximately 9.0% to 175.0%.

For our 2014 analysis the significant assumptions used for the income approach were 10 years of projected net cash flows, discount rates between 11.5% and 16.0% and long-term growth rates between 4.0% and 5.0%. These estimates used to calculate the fair value of each reporting unit change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of the reporting unit's fair value and goodwill impairment for the reporting unit. 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, FASI operating losses in excess of expectations and reductions of projected net cash flows. As a result, we performed an interim impairment test 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 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. For employees, we have granted stock options, non-vested shares and performance shares. For non-employee directors, we have granted non-vested shares annually beginning in 2006.

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

	December 31, 2014	December 31, 2013	December 31, 2012
Expected dividend yield	1.2%	1.2%	0.9%
Expected stock price volatility	38.5%	43.7%	46.6%
Weighted average risk-free interest rate	1.6%	0.9%	0.8%
Expected life of options (years)	5.28	5.2	4.2

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.

We have also granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, we will issue to the employees a calculated number of common stock shares based on the three year performance of our common stock share price as compared to the share price performance of a selected peer group. No shares may be issued if the share price performance outperforms 30% or less of the peer group, but the number of shares issued may be doubled if the share price performs better than 90% of the peer group. The share-based compensation for performance shares are recognized, net of estimated forfeitures, ratably over the requisite service period, or vesting period. The fair value of the performance shares was estimated using a Monte Carlo simulation. The following table contains the weighted-average assumptions used to estimate the fair value of performance shares granted. These assumptions are highly subjective and changes in these assumptions can materially affect the fair value estimate.

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Expected stock price volatility	32.5%	34.5%	40.8%
Weighted average risk-free interest rate	0.7%	0.4%	0.4%

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

Operating Leases

Certain operating leases include rent increases during the initial lease term. For these leases, we recognize the related rental expenses on a straight-line basis over the term of the lease, which includes any rent holiday period, and 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 Account Pronouncements

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. We have not yet selected a transition method and are currently evaluating the impact of the amended guidance on our consolidated financial position, results of operations and related disclosures.

Liquidity and Capital Resources

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

Year Ended December 31, 2014 Cash Flows compared to December 31, 2013 Cash Flows

Net cash provided by operating activities totaled approximately $91.7 million for the year ended December 31, 2014 compared to approximately $90.8 million for the year ended December 31, 2013. The $0.9 million increase in cash provided by operating activities is mainly attributable to a $8.9 million increase in net earnings after consideration of non-cash items and a $5.6 million decrease in cash used to fund accounts payable and prepaid assets, net of a $13.6 million increase in accounts receivable associated with the revenue growth discussed previously. The decreases in cash used for accounts payable and prepaid assets and the cash received from accounts receivables are attributable to the increased revenue activity discussed previously and the resulting impact on working capital.

Net cash used in investing activities was approximately $127.7 million for the year ended December 31, 2014 compared with approximately $78.9 million used in investing activities during the year ended December 31, 2013. Investing activities during the year ended December 31, 2014 consisted primarily of $90.2 million used to acquire CST, RGL and MMT and net capital expenditures of $37.5 million primarily for new trailers, vehicles and forklifts to replace aging units. Investing activities during the year ended December 31, 2013 consisted primarily of $45.3 million used to acquire TQI and net capital expenditures of $33.5 million primarily for new trailers, vehicles and forklifts to replace aging units. The proceeds from disposal of property and equipment during the year ended December 31, 2014 and 2013 were primarily from sales of older trailers and vehicles.

Net cash used in financing activities totaled approximately $49.9 million for the year ended December 31, 2014 compared with net cash provided by financing activities of $3.3 million for the year ended December 31, 2013. The $53.2 million decrease in in cash from financing activities was attributable to $40.0 million used to repurchase shares of our common stock, a $21.5 million decline in cash from employee stock transactions and related tax benefits and a $2.7 million increase in dividends paid. These decreases in cash flows were partially offset by a $10.6 million decrease in payments on debt and capital leases. Payments on debt and capital leases decreased as the result of lower debt assumed and settled with the acquisition of CST as compared to TQI. Dividends increased on new shares issued through stock option exercises and our Board of Directors increasing the quarterly cash dividend from $0.10 per share to $0.12 per share during the each quarter of 2014.

Year Ended December 31, 2013 Cash Flows compared to December 31, 2012 Cash Flows

Net cash provided by operating activities totaled approximately $90.8 million for the year ended December 31, 2013 compared to approximately $68.6 million for the year ended December 31, 2012. The $22.3 million increase in cash provided by operating activities is mainly attributable to a $3.4 million increase in net earnings after consideration of non-cash items, a $8.0 million increase in cash collected from accounts receivable and a $10.9 million decrease in cash used to fund accounts payable and prepaid assets. Improvement in cash used for accounts payable and prepaid assets is largely due to reduced estimated income tax prepayments.

Net cash used in investing activities was approximately $78.9 million for the year ended December 31, 2013 compared with approximately $20.7 million used in investing activities during the year ended December 31, 2012. Investing activities during the year ended December 31, 2013 consisted primarily of $45.3 million used to acquire TQI and capital expenditures of $35.4 million. Capital expenditures in 2013 and 2012 were primarily for new trailers, vehicles and forklifts to replace aging units. The proceeds from disposal of property and equipment during the years ended December 31, 2013 and 2012 were primarily from sales of older trailers and vehicles.

Net cash provided by financing activities totaled approximately $3.3 million for the year ended December 31, 2013 compared with $5.5 million for the year ended December 31, 2012. Changes in cash from financing activities are mainly the settlement of the $20.1 million in debt assumed with the acquisition of TQI, net of a $20.6 million increase in cash received from the exercise of stock options and the related income tax benefit. Cash from financing for the year ended December 31, 2013 and 2012 also included quarterly dividend payments which increased $2.2 million year over year as during the third quarter of 2012 our Board of the Directors increased the quarterly cash dividend from our historic $0.07 per share to $0.10 per share.

Liquidity and Capital Resources

In February 2012, we entered into $150.0 million credit facility. This facility had a term of five years and was to mature in February 2017. Interest rates for advances under the facility were LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings (1.3% at December 31, 2014). The agreement contained certain covenants and restrictions related to new indebtedness, investment types and dispositions of property. No assets were pledged as collateral against the credit facility. As of December 31, 2014, we had no borrowings outstanding under the credit facility. At December 31, 2014, we had utilized $9.7 million of availability for outstanding letters of credit and had $140.3 million of available borrowing capacity under this credit facility.

On February 4, 2015, we entered into a five-year senior, unsecured credit facility (the "Facility") with a maximum aggregate principal amount of $275 million, including a revolving credit facility of $150.0 million with a sublimit of $25.0 million for letters of credit and a sublimit of $15.0 million for swing line loans. The Facility also includes a term loan facility of $125.0 million, which is available for ninety (90) days following closing, and which, if drawn, is payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and which matures in March 2017. The revolving credit facility is scheduled to expire in February 2020 and may be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes. The Facility replaced our prior existing $150.0 million unsecured revolving credit facility. Unless we elect otherwise under the credit agreement, interest on borrowings under the Facility are based on the highest of (a) the federal funds rate plus 0.5%, (b) the administrative agent's prime rate and (c) LIBOR (not less than 0%) plus 1.0%, in each case plus a margin that can range from 0.1% to 0.6% with respect to the term loan facility and from 0.3% to 0.8% with respect to the revolving credit facility depending on our ratio of consolidated funded indebtedness to earnings as set forth in the credit agreement. The Facility contains financial covenants and other covenants that, among other things, restrict our ability, without the approval of the lenders, to engage in certain mergers, consolidations, asset sales, investments, transactions or to incur liens or indebtedness, as set forth in the credit agreement.

In July 2007, our Board of Directors approved a stock repurchase program ("Repurchase Plan") for up to two million shares of our common stock. During the year ended December 31, 2013, we repurchased 8,675 shares of common stock under the Repurchase Plan for $0.4 million, or $40.84 per share. No shares were repurchased during the year ended December 31, 2012.

Also, on February 7, 2014, our Board of Directors approved a stock repurchase authorization for up to two million shares of the Company's common stock. In connection with this action, the board cancelled the Company's Repurchase Plan. During the year ended December 31, 2014, we repurchased 881,979 shares of common stock for $40.0 million, or $45.32 per share. As of December 31, 2014, 1,118,021 shares remain that may be repurchased.

During the first and second quarters of 2012, our Board of Directors declared a cash dividend of $0.07 per share of Common Stock. During each quarter of 2013 and the third and fourth quarter of 2012, our Board of Directors declared a cash dividend of $0.10 per share of Common Stock. During each quarter of 2014, our Board of Directors declared a cash dividend of $0.12 per share. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by our Board of Directors. We 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.

On February 4, 2015, we entered into an Agreement and Plan of Merger (the "Merger Agreement") to acquire CLP Towne Inc. ("Towne"). Upon completion of the Merger, Towne will be an indirect, wholly-owned subsidiary of the Company. The acquisition is expected to close in the first quarter of 2015, subject to the satisfaction of closing conditions, including among others the continuing accuracy of representations and warranties, compliance with covenants and agreements in the Merger Agreement and the execution of restrictive covenants agreements by certain equity holders. We expect to pay aggregate cash consideration of approximately $125.0 million. The purchase price may be increased or reduced based upon Towne's net working capital as of the closing date.

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

Off-Balance Sheet Arrangements

At December 31, 2014, we had letters of credit outstanding from banks totaling $9.7 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, 2014 (in thousands) are summarized below:

Contractual Obligations	**Payment Due Period**				
	Total	**2015**	**2016-2017**	**2018-2019**	**2020 and Thereafter**
Capital lease obligations	$ 1,765	$ 349	$ 694	$ 667	55
Equipment purchase commitments	5,708	5,708	—	—	—
Operating leases	64,516	22,295	28,361	11,390	2,470
Total contractual cash obligations	$ 71,989	$ 28,352	$ 29,055	$ 12,057	$ 2,525

Not included in the above table are reserves for unrecognized tax benefits and self insurance claims of $1.3 million and $11.5 million, respectively. The equipment purchase commitments are for various trailers, vehicles and forklifts. All of the above commitments are expected to be funded by cash on hand and cash flows from operations.

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 as well as contracted third-party carriers 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 credit facility. The credit facility, for which no balance was outstanding at or during December 31, 2014 bears interest at variable rates. However, assuming the entire credit facility had been outstanding for 2014, a hypothetical increase in our credit facility borrowing rate of 150 basis points, or an increase in the total effective interest rate from 1.3% to 2.8%, would increase our annual interest expense by approximately \$2.3 million and would have decreased our annual cash flow from operations by approximately \$2.3 million.

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, 2014. 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, 2014. 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* (1992 Framework). Based on our assessment, we have concluded, as of December 31, 2014, that our internal control over financial reporting was effective based on those criteria.

The SEC's general guidance permits the exclusion of an assessment of the effectiveness of a registrant's disclosure controls and procedures as they relate to its internal controls over financial reporting for an acquired business during the first year following such acquisition, if among other circumstances and factors there is not adequate time between the acquisition date and the date of assessment. As previously disclosed, the Company completed its acquisition of Central States Trucking Co. and Central States Logistics, Inc. (collectively referred to as "CST") on February 2, 2014. CST represents approximately 20.4% and 20.8% of the Company's total and net assets, respectively, as of December 31, 2014 and 9.3% and 7.5% of revenues and net income, respectively, for the year then ended. Management's assessment and conclusion on the effectiveness of the Company's disclosure controls and procedures as of December 31, 2014 excluded an assessment of the internal control over financial reporting of CST.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements for the year ended December 31, 2014, 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 2014 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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (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.

As indicated in the accompanying Management’s Report on Internal Control over Financial Reporting, management’s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Central States Trucking Co. and Central States Logistics, Inc., which are included in the 2014 consolidated financial statements of Forward Air Corporation and constituted $110.5 million and $96.6 million of total and net assets, respectively, as of December 31, 2014 and $72.3 million and $4.6 million of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Forward Air Corporation also did not include an evaluation of the internal control over financial reporting of Central States Trucking Co. and Central States Logistics, Inc.

In our opinion, Forward Air Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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 as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of Forward Air Corporation and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 20, 2015

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers of the Registrant

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K of the Securities Act and General Instruction G(3) to Form 10-K, the following information is included in Part I of this report. The ages listed below are as of December 31, 2014.

The following are our executive officers:

Name	Age	Position
Bruce A. Campbell	63	Chairman, President and Chief Executive Officer
Rodney L. Bell	52	Chief Financial Officer, Senior Vice President and Treasurer
Craig A. Drum	59	Senior Vice President, Sales
Michael L. Hance	43	Senior Vice President, Chief Legal Officer & Secretary
Matthew J. Jewell	48	Executive Vice President, Intermodal Services & Chief Strategy Officer
Michael P. McLean	41	Chief Accounting Officer, Vice President & Controller
Chris C. Ruble	52	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.

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.

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

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

Michael P. McLean began serving as Chief Accounting Officer, Vice President and Controller in February 2008. From June 2006 until February 2008, Mr. McLean, who is a Certified Public Accountant, served as Vice President of Accounting and Controller. Mr. McLean joined the Company as Vice President, Accounting in February 2006 and served in that position until May 2006. Prior to joining us in February 2006, Mr. McLean served as Director of Financial Reporting at CTI Molecular Imaging, Inc., a publicly-traded medical technology company since February 2003. From July 2001 until January 2003, Mr. McLean was an audit manager with the accounting firm of Coulter & Justus, PC in Knoxville, Tennessee.

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.

Other information required by this item with respect to our directors is incorporated herein by reference to our proxy statement for the 2014 Annual Meeting of Shareholders (the "2015 Proxy Statement"). The 2015 Proxy Statement will be filed with the SEC not later than 120 days subsequent to December 31, 2014.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 2015 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 2015 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 2015 Proxy Statement.

Item 14. Principle Accounting Fees and Services

The information required by this item is incorporated herein by reference to the 2015 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 20, 2015

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 Bruce A. Campbell	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 20, 2015
/s/ Rodney L. Bell Rodney L. Bell	Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial Officer)	February 20, 2015
/s/ Michael P. McLean Michael P. McLean	Chief Accounting Officer, Vice President and Controller (Principal Accounting Officer)	February 20, 2015
/s/ C. Robert Campbell C. Robert Campbell	Lead Director	February 20, 2015
/s/ Ronald W. Allen Ronald W. Allen	Director	February 20, 2015
/s/ C. John Langley, Jr. C. John Langley, Jr.	Director	February 20, 2015
/s/ Tracy A. Leinbach Tracy A. Leinbach	Director	February 20, 2015
/s/ Larry D. Leinweber Larry D. Leinweber	Director	February 20, 2015
/s/ G. Michael Lynch G. Michael Lynch	Director	February 20, 2015
/s/ Ray A. Mundy Ray A. Mundy	Director	February 20, 2015
/s/ Gary L. Paxton Gary L. Paxton	Director	February 20, 2015

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, 2014

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, 2014 and 2013, and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. 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, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 20, 2015

Forward Air Corporation
Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 41,429	$ 127,367
Accounts receivable, less allowance of $2,563 in 2014 and $1,919 in 2013	95,326	76,500
Inventories	1,056	1,052
Prepaid expenses and other current assets	9,648	14,296
Deferred income taxes	2,496	1,145
Total current assets	149,955	220,360
Property and equipment:		
Land	16,998	16,998
Buildings	66,477	66,474
Equipment	212,216	178,752
Leasehold improvements	7,957	6,263
Construction in progress	1,540	2,563
Total property and equipment	305,188	271,050
Less accumulated depreciation and amortization	132,699	116,287
Net property and equipment	172,489	154,763
Goodwill and other acquired intangibles:		
Goodwill	144,412	88,496
Other acquired intangibles, net of accumulated amortization of $40,307 in 2014 and $31,790 in 2013	72,705	40,110
Total net goodwill and other acquired intangibles	217,117	128,606
Other assets	2,244	2,540
Total assets	$ 541,805	$ 506,269

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

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

	December 31, 2014	December 31, 2013
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 20,572	$ 16,267
Accrued payroll and related items	8,122	6,325
Insurance and claims accruals	6,042	5,105
Payables to owner-operators	4,182	4,710
Collections on behalf of customers	374	416
Other accrued expenses	2,571	1,719
Income taxes payable	1,292	—
Current portion of capital lease obligations	276	69
Total current liabilities	43,431	34,611
Capital lease obligations, less current portion	1,275	3
Other long-term liabilities	8,356	8,940
Deferred income taxes	25,180	26,850
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Preferred stock, $0.01 par value: Authorized shares - 5,000,000; no shares issued	—	—
Common stock, $0.01 par value: Authorized shares - 50,000,000; issued and outstanding shares - 30,255,182 in 2014 and 30,522,079 in 2013	303	305
Additional paid-in capital	130,107	107,726
Retained earnings	333,153	327,834
Total shareholders' equity	463,563	435,865
Total liabilities and shareholders' equity	$ 541,805	$ 506,269

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

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

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Operating revenue	$ 780,959	$ 652,481	$ 584,446
Operating expenses:			
Purchased transportation	334,576	285,690	252,720
Salaries, wages and employee benefits	182,105	151,097	135,006
Operating leases	33,994	29,310	27,989
Depreciation and amortization	31,133	23,579	21,021
Insurance and claims	15,736	12,619	11,309
Fuel expense	20,148	15,145	10,038
Other operating expenses	66,861	50,686	42,831
Total operating expenses	684,553	568,126	500,914
Income from operations	96,406	84,355	83,532
Other income (expense):			
Interest expense	(610)	(532)	(391)
Other, net	289	99	14
Total other expense	(321)	(433)	(377)
Income before income taxes	96,085	83,922	83,155
Income taxes	34,916	29,455	30,487
Net income and comprehensive income	$ 61,169	$ 54,467	$ 52,668
Net income per share:			
Basic	$ 1.99	$ 1.81	$ 1.82
Diluted	$ 1.96	$ 1.77	$ 1.78
Dividends per share:	$ 0.48	$ 0.40	$ 0.34

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, 2011	28,553	$ 285	$ 42,212	$ 244,405	$ 286,902
Net income and comprehensive income for 2012	—	—	—	52,668	52,668
Exercise of stock options	582	6	15,734	—	15,740
Common stock issued under employee stock purchase plan	9	—	259	—	259
Share-based compensation	—	—	6,050	—	6,050
Dividends ($0.34 per share)	—	—	5	(9,952)	(9,947)
Cash settlement of share-based awards for minimum tax withholdings	(11)	—	—	(386)	(386)
Share repurchases	—	—	—	—	—
Vesting of previously non-vested shares	62	1	(1)	—	—
Income tax benefit from stock options exercised	—	—	385	—	385
Balance at December 31, 2012	29,195	292	64,644	286,735	351,671
Net income and comprehensive income for 2013	—	—	—	54,467	54,467
Exercise of stock options	1,263	12	32,990	—	33,002
Common stock issued under employee stock purchase plan	9	—	296	—	296
Share-based compensation	—	—	6,178	—	6,178
Dividends ($0.40 per share)	—	—	7	(12,148)	(12,141)
Cash settlement of share-based awards for minimum tax withholdings	(23)	—	—	(866)	(866)
Share repurchases	(9)	—	—	(354)	(354)
Vesting of previously non-vested shares	87	1	(1)	—	—
Income tax benefit from stock options exercised	—	—	3,612	—	3,612
Balance at December 31, 2013	30,522	305	107,726	327,834	435,865
Net income and comprehensive income for 2014	—	—	—	61,169	61,169
Exercise of stock options	469	5	13,230	—	13,235
Common stock issued under employee stock purchase plan	9	—	354	—	354
Share-based compensation	—	—	6,681	—	6,681
Dividends ($0.48 per share)	—	—	9	(14,804)	(14,795)
Cash settlement of share-based awards for minimum tax withholdings	(25)	—	—	(1,083)	(1,083)
Share repurchases	(882)	(9)	—	(39,963)	(39,972)
Vesting of previously non-vested shares	162	2	(2)	—	—
Income tax benefit from stock options exercised	—	—	2,109	—	2,109
Balance at December 31, 2014	30,255	$ 303	$ 130,107	$ 333,153	$ 463,563

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, 2014	December 31, 2013	December 31, 2012
Operating activities:			
Net income	$ 61,169	$ 54,467	$ 52,668
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	31,133	23,579	21,021
Gain on change in fair value of earn-out liability	—	(615)	—
Share-based compensation	6,681	6,178	6,050
(Gain) loss on disposal of property and equipment	(383)	(454)	318
Provision for loss on receivables	241	423	199
Provision for revenue adjustments	2,465	2,531	2,003
Deferred income taxes	(3,021)	4,856	2,043
Tax benefit for stock options exercised	(2,109)	(3,707)	(385)
Changes in operating assets and liabilities, net of acquisition of business			
Accounts receivable	(12,193)	1,447	(6,542)
Prepaid expenses and other current assets	(280)	(215)	(1,331)
Accounts payable and accrued expenses	(199)	2,588	(3,477)
Income taxes	8,156	(239)	(3,981)
Net cash provided by operating activities	91,660	90,839	68,586
Investing activities:			
Proceeds from disposal of property and equipment	1,947	1,973	911
Purchases of property and equipment	(39,487)	(35,439)	(21,353)
Acquisition of business, net of cash acquired	(90,172)	(45,328)	—
Other	2	(129)	(263)
Net cash used in investing activities	(127,710)	(78,923)	(20,705)
Financing activities:			
Payments of debt and capital lease obligations	(9,736)	(20,375)	(551)
Payments on line of credit	—	—	—
Proceeds from exercise of stock options	13,235	33,002	15,740
Payments of cash dividends	(14,795)	(12,141)	(9,947)
Repurchase of common stock (repurchase program)	(39,972)	(354)	—
Common stock issued under employee stock purchase plan	354	296	259
Cash settlement of share-based awards for minimum tax withholdings	(1,083)	(866)	(386)
Tax benefit for stock options exercised	2,109	3,707	385
Net cash (used in) provided by financing activities	(49,888)	3,269	5,500
Net (decrease) increase in cash	(85,938)	15,185	53,381
Cash at beginning of year	127,367	112,182	58,801
Cash at end of year	$ 41,429	$ 127,367	$ 112,182

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 classified into three principal reporting segments: Forward Air, Forward Air Solutions (“FASI”) and Total Quality ("TQI").

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

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

TQI is a provider of maximum security and temperature-controlled logistics services, primarily truckload services, to the life sciences sector (pharmaceutical and biotechnology products). In addition to core pharmaceutical services and other cold chain services, TQI provides truckload and less-than-truckload brokerage transportation services.

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's airport-to-airport and TLX operations, 10.0% for Forward Air's intermodal drayage operations, 25.0% for FASI and 10.0% for TQI's pharmaceutical operations and 50.0% for TQI's non-pharmaceutical operations. 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 2014, average revenue adjustments per month were approximately $205 on average revenue per month of approximately $65,080 (0.3% of monthly revenue). In order to estimate the allowance for revenue adjustments related to ending accounts receivable, the Company prepares an analysis that considers average monthly revenue adjustments and the average lag for identifying and quantifying these revenue adjustments. Based on this analysis, the Company establishes an allowance covering approximately 45-100 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.

Self-Insurance Loss Reserves

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

Revenue Recognition

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

Cash and Cash Equivalents

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

Inventories

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

(In thousands, except share and per share data)

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, 2014, 2013 and 2012 was $22,616, $17,817 and $16,455 respectively.

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

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 2, Acquisition, Goodwill and Other Long-Lived Assets.

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

Software Development

Costs related to software developed or acquired for internal use are expensed or capitalized based on the applicable stage of software development and any capitalized costs are amortized over their estimated useful life. The Company typically uses a five-year straight line amortization for the capitalized amounts of software development costs. At December 31, 2014 and 2013 the Company had $13,246 and $11,763, respectively, of capitalized software development costs included in property and equipment. Accumulated amortization on these assets was $9,065 and $7,644 at December 31, 2014 and 2013, respectively. Included in depreciation expense is amortization of capitalized software development costs. Amortization of capitalized software development for the years ended December 31, 2014, 2013 and 2012 was $1,464, $1,228 and $1,100 respectively. As of December 31, 2014 the estimated amortization expense for the next five years of capitalized software development costs is as follows:

(In thousands, except share and per share data)

2015	$ 1,374
2016	1,080
2017	767
2018	509
2019	211
Total	$ 3,941

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 is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. The Company's non-vested shares contain non-forfeitable rights to dividends and are therefore considered participating securities for purposes of computing net income per share pursuant to the two-class method. Net income allocated to participating securities was $404 in 2014. Net losses are not allocated to participating securities in periods in which the Company incurs a net loss. Diluted net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding after considering the additional dilution from any dilutive non-participating securities. The Company's non-participating securities include options and performance shares.

Share-Based Payments

The Company's general practice has been to make a single annual grant of share-based compensation to key employees and to 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. For employees, the Company has granted stock options, non-vested shares and performance shares. For non-employee directors, the Company issued non-vested shares during the years ended December 31, 2014, 2013 and 2012.

Stock options typically expire seven years from the grant date and vest ratably over a three-year period. The share-based compensation for stock options is recognized, 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 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, 2014	December 31, 2013	December 31, 2012
Expected dividend yield	1.2%	1.2%	0.9%
Expected stock price volatility	38.5%	43.7%	46.6%
Weighted average risk-free interest rate	1.6%	0.9%	0.8%
Expected life of options (years)	5.3	5.2	4.2

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.

(In thousands, except share and per share data)

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

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Expected stock price volatility	32.5%	34.5%	40.8%
Weighted average risk-free interest rate	0.7%	0.4%	0.4%

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.

Recent Accounting Pronouncements

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the impact of the amended guidance on our consolidated financial position, results of operations and related disclosures.

2. Acquisitions, Goodwill and Other Long-Lived Assets

Acquisition of CST

On February 2, 2014, the Company acquired all of the outstanding capital stock of Central States Trucking Co. and Central States Logistics, Inc. (collectively referred to as "CST"). Pursuant to the terms of the Agreement and concurrently with the execution of the Agreement, the Company acquired all of the outstanding capital stock of CST in exchange for $82,998 in net cash and $11,215 in assumed debt. With the exception of capital leases, the assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using the Company's cash on hand. Under the purchase agreement, $10,000 of the purchase price was paid into an escrow account to protect the Company against potential unknown liabilities. The amount held in escrow will be remitted to the sellers on February 2, 2015.

CST provides industry leading container and intermodal drayage services primarily within the Midwest region of the United States. CST also provides dedicated contract and Container Freight Station ("CFS") warehouse and handling services. The acquisition of CST provides us with a scalable platform for which to enter the intermodal drayage space and thereby continuing to expand and diversify our service offerings. As part of our strategy to scale CST's operations, in September 2014, CST acquired certain assets of Recob Great Lakes Express, Inc. ("RGL") for $1,350 and in November 2014, acquired Multi-Modal Trucking, Inc. and Multi-Modal Services, Inc. (together referred to as "MMT") for approximately $5,825 in cash and $1,000 in available earn out. The MMT earn out is based on acquired operations exceeding 2015 earnings goals, and the earn out was fully accrued as of December 31, 2014. The acquisition of RGL and MMT's assets provided an opportunity for CST to expand into additional Midwest markets.

The Company incurred total transaction costs related to the acquisitions of approximately $900, which were expensed during the nine months ended September 30, 2014, in accordance with U.S. GAAP. These transaction costs were primarily included in "Other operating expenses" in the consolidated statements of comprehensive income.

The assets, liabilities, and operating results of CST, RGL and MMT ("CST acquisitions") have been included in the Company's consolidated financial statements from the dates of acquisition and have been assigned to the Forward Air reportable segment. The results of CST, RGL and MMT operations are reflected in the Company's consolidated statements of comprehensive income for the year ended December 31, 2014 from the dates of acquisition are as follows (in thousands, except per share data):

	Dates of Acquisition to December 31, 2014	
Logistics revenue	$	52,061
Other revenues		20,253
Operating income		7,525
Net income		4,586
Net income per share		
Basic	$	0.15
Diluted	$	0.15

Acquisition of TQI

On March 4, 2013, the Company entered into a Stock Purchase Agreement ("Agreement") with all of the shareholders of TQI to acquire 100% of the outstanding stock. Pursuant to the terms of the Agreement and concurrently with the execution of the Agreement, the Company acquired all of the outstanding capital stock of TQI in exchange for $45,328 in net cash, $20,113 in assumed debt and an available earn-out of up to $5,000. The assumed debt was immediately paid in full after funding of the acquisition. The acquisition and settlement of the assumed debt were funded using the Company's cash on hand. Under the purchase agreement, $4,500 of the purchase price was paid into an escrow account to protect the Company against potential unknown liabilities. The amount held in escrow was remitted to the sellers in September 2014.

Pursuant to the terms of the Agreement, the Company could pay the former shareholders of TQI additional cash consideration from $0 to $5,000 if certain earnings before interest, taxes, depreciation and amortization ("EBITDA") goals are exceeded. The ultimate payout is based on the level by which TQI operating results exceed specified thresholds as defined by the Agreement in both 2013 and 2014. At the time of acquisition the Company recognized an estimated earn-out liability of $615. The fair value of the earn-out liability (level 3) was estimated using an income approach based on the present value of probability-weighted amounts payable under a range of performance scenarios for 2013 and 2014 and a discount rate of 10.9%. However, based on the most probable outcomes the estimated earn-out liability was reduced to $0 and recognized as a gain in our results from operations during the fourth quarter of 2013. TQI's 2014 EBITDA performance did not exceed the goals established by the Agreement and therefore no earn out payments were required.

The Company incurred total transaction costs related to the acquisition of approximately $943, which was expensed during the year ended December 31, 2013, in accordance with U.S. GAAP. These transaction costs were primarily included in "Other operating expenses" expense in the consolidated statements of comprehensive income.

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

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

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

	March 4, 2013 to December 31, 2013	
Logistics revenue	$	41,842
Operating income		3,600
Net income		1,961
Net income per share		
Basic	$	0.07
Diluted	$	0.06

Allocations of Purchase Prices

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

	CST	RGL & MMT	TQI
	February 2, 2014	**September & November 2014**	**March 4, 2013**
Tangible assets:			
Accounts receivable	$ 9,339	$ —	$ 5,639
Prepaid expenses and other current assets	101	—	1,093
Property and equipment	2,132	287	5,103
Other assets	35	—	728
Deferred income taxes	—	—	947
Total tangible assets	11,607	287	13,510
Intangible assets:			
Non-compete agreements	930	92	470
Trade name	500	—	1,000
Customer relationships	36,000	3,590	22,300
Goodwill	51,710	4,206	45,164
Total intangible assets	89,140	7,888	68,934
Total assets acquired	100,747	8,175	82,444
Liabilities assumed:			
Current liabilities	6,535	1,000	4,725
Other liabilities	—	—	1,735
Debt and capital lease obligations	11,215	—	20,113
Deferred income taxes	—	—	10,543
Total liabilities assumed	17,750	1,000	37,116
Net assets acquired	$ 82,997	$ 7,175	$ 45,328

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

	Useful Lives		
	CST	**RGL & MMT**	**TQI**
Customer relationships	15 years	15 years	15 years
Non-competes	5 years	5 years	5 years
Trade names	2 years	-	5 years

The fair value of the non-compete agreements, trade name and customer relationship assets were estimated using an income approach (level 3). Under this method, an intangible asset's fair value is equal to the present value of the incremental after-tax cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To calculate fair value, the Company used cash flows discounted at rates considered appropriate given the inherent risks associated with each type of asset. The Company believes that the level and timing of cash flows appropriately reflect market participant assumptions. The fair value of the TQI and CST trades names were estimated using an income approach, specifically known as the relief from royalty method. The relief from royalty method is based on a hypothetical royalty stream that would be paid if the Company did not own the TQI name and had to license the trade name. The Company derived the hypothetical royalty income from the projected revenues of TQI. Cash flows were assumed to extend through the remaining economic useful life of each class of intangible asset.

The following unaudited pro forma information presents a summary of the Company's consolidated results of operations as if the CST acquisitions and TQI acquisition occurred as of January 1, 2013 (in thousands, except per share data).

	Year ended	
	December 31, 2014	December 31, 2013
Operating revenue	$ 786,048	$ 710,107
Income from operations	96,596	91,215
Net income	61,286	58,713
Net income per share		
Basic	$ 2.00	$ 1.95
Diluted	$ 1.97	$ 1.91

See note 12 for discussion of subsequent events related to acquisitions.

Goodwill

The following is a summary of the changes in goodwill for the year ended December 31, 2014. All goodwill, except the goodwill assigned to TQI, is deductible for tax purposes.

	Forward Air		FASI		TQI		Total
	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	Goodwill	Accumulated Impairment	Net
Beginning balance, December 31, 2013	$ 37,926	$ —	$ 12,359	$ (6,953)	$ 45,164	$ —	$ 88,496
CST acquisitions	55,916	—	—	—	—	—	55,916
Ending balance, December 31, 2014	$ 93,842	$ —	$ 12,359	$ (6,953)	$ 45,164	$ —	$ 144,412

The Company conducted its annual impairment assessments and tests of goodwill for each reporting unit as of June 30, 2014 and no impairment charges were required. The Company conducts an annual (or more frequently if circumstances indicate possible impairment) impairment test of goodwill for each reporting unit at June 30 of each year. The first step of the goodwill impairment test is the Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, including goodwill. When performing the qualitative assessment, the Company considers the impact of factors including, but not limited to, macroeconomic and industry conditions, overall financial performance of each reporting unit, litigation and new legislation. If based on the qualitative assessments, the Company believes it more likely than not that the fair value of a reporting unit is less than the reporting unit's carrying amount, or periodically as deemed appropriate by management, the Company will prepare an estimation of the respective reporting unit's fair value utilizing a quantitative approach. If a quantitative fair value estimation is required, the Company calculates the fair value of the applicable reportable units, using a combination of discounted projected cash flows and market valuations for comparable companies as of the valuation date. The Company's inputs into the fair value calculations for goodwill are classified within level 3 of the fair value hierarchy as defined in the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("the FASB Codification"). If this estimation of fair value indicates that impairment potentially exists, the Company will then measure the amount of the impairment, if any. Goodwill impairment exists when the calculated implied fair value of goodwill is less than its carrying value. Changes in strategy or market conditions could significantly impact these fair value estimates and require adjustments to recorded asset balances.

(In thousands, except share and per share data)

Through acquisitions between 2005 and 2014, including TQI and CST, the Company acquired customer relationships, non-compete agreements and trade names of $108,240, $3,272 and $1,500, respectively, having weighted-average useful lives of 13.5, 5.3 and 4.0 years, respectively. Amortization expense on acquired customer relationships, non-compete agreements and trade names for each of the three years ended December 31, 2014, 2013 and 2012 was $8,517, $5,762 and $4,566, respectively.

The estimated amortization expense for the next five years on definite-lived intangible assets as of December 31, 2014 is as follows:

	2015	2016	2017	2018	2019
Customer relationships	$ 7,387	$ 6,856	$ 6,741	$ 5,236	$ 5,156
Non-compete agreements	318	318	310	220	30
Trade name	450	221	200	33	—
Total	$ 8,155	$ 7,395	$ 7,251	$ 5,489	$ 5,186

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.

3. Debt and Capital Lease Obligations

Credit Facilities

In February 2012, the Company entered into a new $150,000 credit facility. This facility has a term of five years and matures in February 2017. Interest rates for advances under the facility are LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings (1.3% at December 31, 2014). The agreement contains certain covenants and restrictions related to new indebtedness, investment types and dispositions of property. None of the covenants are expected to significantly affect the Company's operations or ability to pay dividends. No assets are pledged as collateral against the credit facility. As of December 31, 2014, the Company had no borrowings outstanding under the credit facility. At December 31, 2014, the Company had utilized $9,749 of availability for outstanding letters of credit and had $140,251 of available borrowing capacity outstanding under the credit facility. See note 12 for discussion of subsequent events related to the credit facility.

Capital Leases

Through acquisitions, the Company assumed several equipment leases that met the criteria for classification as a capital lease. The leased equipment is being amortized over the shorter of the lease term or useful life.

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

	December 31, 2014	December 31, 2013
Equipment	$ 793	$ 685
Accumulated amortization	(253)	(680)
	$ 540	$ 5

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, 2014:

(In thousands, except share and per share data)

2015	$ 349
2016	347
2017	347
2018	347
2019	320
Thereafter	55
Total	1,765
Less amounts representing interest	214
Present value of net minimum lease payments (including current portion of $276)	$ 1,551

Interest Payments

Interest payments during 2014, 2013 and 2012 were $495, $482 and $365, respectively. No interest was capitalized during the years ended December 31, 2014, 2013 and 2012.

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

Preferred Stock

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

Cash Dividends

During each quarter of 2014 , the Company's Board of Directors declared a cash dividend of $0.12 per share of Common Stock. During each quarter of 2013 and the third and fourth quarter of 2012, the Company's Board of Directors declared a cash dividend of $0.10 per share of Common Stock. During the first and second quarter of 2012, the Company's Board of Directors declared a cash dividend of $0.07 per share of Common Stock. On February 10, 2015, the Company's Board of Directors declared a $0.12 per share dividend that will be paid in the first quarter of 2015. 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

In July 2007, our Board of Directors approved a stock repurchase program ("Repurchase Plan") for up to 2,000,000 shares of our common stock. During the year ended December 31, 2013, we repurchased 8,675 shares of common stock under the Repurchase Plan for $354, or $40.84 per share. No shares were repurchased during the year ended December 31, 2012.

Also, on February 7, 2014, our Board of Directors approved a stock repurchase authorization for up to 2,000,000 shares of the Company's common stock. In connection with this action, the board cancelled the Company's Repurchase Plan. During the year ended December 31, 2014, we repurchased 881,979 shares of common stock for $39,972, or $45.32 per share. As of December 31, 2014, 1,118,021 shares remain that may be repurchased.

Share-Based Compensation

The Company had previously reserved for issuance 4,500,000 common shares under the 1999 Stock Option and Incentive Plan (the "1999 Plan"). 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. As of December 31, 2014, there were approximately 746,000 shares remaining available for grant.

Employee Activity - Options

The following tables summarize the Company's employee stock option activity and related information for the years ended December 31, 2014, 2013 and 2012:

	2014		2013		2012	
	Options (000)	Weighted-Average Exercise Price	Options (000)	Weighted-Average Exercise Price	Options (000)	Weighted-Average Exercise Price
Outstanding at beginning of year	1,732	$ 27	2,874	$ 26	3,363	$ 26
Granted	106	43	118	38	94	37
Exercised	(450)	28	(1,260)	26	(570)	27
Forfeited	(25)	37	—	—	(13)	29
Outstanding at end of year	1,363	$ 28	1,732	$ 27	2,874	$ 26
Exercisable at end of year	1,160	$ 26	1,514	$ 26	2,487	$ 26
Weighted-average fair value of options granted during the year	$ 14		$ 14		$ 13	
Aggregate intrinsic value for options exercised	$ 7,259		$ 15,477		$ 3,924	
Average aggregate intrinsic value for options outstanding	$ 24,425					
Average aggregate intrinsic value for exercisable options	$ 23,274					

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
$ 22.47 - 24.98	672	1.7	$ 22.66	672	$ 22.66
28.61 - 29.44	401	0.9	28.95	401	28.95
36.55 - 41.80	184	4.7	37.03	87	36.90
42.48 - 45.97	106	6.2	43.17	—	—
$ 22.47 - 45.97	1,363	2.2	$ 28.05	1,160	$ 25.91

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Shared-based compensation for options	$ 1,302	$ 1,410	$ 2,585
Tax benefit for option compensation	$ 497	$ 508	$ 713
Unrecognized compensation cost for options, net of estimated forfeitures	$ 1,632		

Employee Activity – Non-vested shares

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

	Year ended					
	2014		2013		2012	
	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	186	$ 35	168	$ 33	108	$ 29
Granted	99	42	98	37	103	37
Vested	(94)	43	(68)	37	(36)	29
Forfeited	(1)	37	(12)	36	(7)	33
Outstanding and non-vested at end of year	190	$ 40	186	$ 35	168	$ 33
Aggregate grant date fair value	$ 7,585		$ 6,588		$ 5,579	
Total fair value of shares vested during the year	$ 4,008		$ 2,503		$ 1,249	

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Shared-based compensation for non-vested shares	$ 3,626	$ 3,058	$ 2,039
Tax benefit for non-vested share compensation	$ 1,385	$ 1,165	$ 785
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	$ 4,325		

Employee Activity – Performance shares

In 2014, 2013 and 2012, the Company granted performance shares to key employees. Under the terms of the performance share agreements, on the third anniversary of the grant date, the Company will issue to the employees a calculated number of common stock shares based on the three year performance of the Company's common stock share price as compared to the share price performance of a selected peer group. No shares may be issued if the Company share price performance outperforms 30% or less of the peer group, but the number of shares issued may be doubled if the Company share price performs better than 90% of the peer group.

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

	Year ended					
	2014		2013		2012	
	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares (000)	Weighted-Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	88	$ 37	62	$ 36	38	$ 30
Granted	23	48	26	40	24	45
Additional shares awarded based on performance	19	30	—	—	—	—
Vested	(56)	30	—	—	—	—
Forfeited	—	—	—	—	—	—
Outstanding and non-vested at end of year	74	$ 44	88	$ 37	62	$ 36
Aggregate grant date fair value	$ 3,279		$ 3,278		$ 2,205	

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Shared-based compensation for performance shares	$ 1,098	$ 1,055	$ 699
Tax benefit for performance share compensation	$ 419	$ 402	$ 269
Unrecognized compensation cost for performance shares, net of estimated forfeitures	$ 1,225		

Employee Activity – Employee Stock Purchase Plan

Under the ESPP at December 31, 2014, the Company is authorized to issue up to a remaining 403,792 shares of Common Stock to employees of the Company. For the years ended December 31, 2014, 2013 and 2012, participants under the plan purchased 8,530, 8,800, and 8,846 shares, respectively, at an average price of $41.51, $33.68, and $29.26 per share, respectively. The weighted-average fair value of each purchase right under the ESPP granted for the years ended December 31, 2014, 2013 and 2012, which is equal to the discount from the market value of the Common Stock at the end of each six month purchase period, was $7.74, $7.52, and $4.47 per share, respectively. Share-based compensation expense of $66, $66, and $40 was recognized in salaries, wages and employee benefits, during the years ended December 31, 2014, 2013 and 2012, 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. 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.

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

	Year ended					
	2014		2013		2012	
	Non-vested Shares and Deferred Stock Units (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted-Average Grant Date Fair Value	Non-vested Shares and Deferred Stock Units (000)	Weighted-Average Grant Date Fair Value
Outstanding and non-vested at beginning of year	15	$ 38	20	$ 32	24	$ 33
Granted	15	44	15	38	20	32
Vested	(15)	38	(20)	32	(24)	32
Forfeited	—	—	—	—	—	—
Outstanding and non-vested at end of year	15	$ 44	15	$ 38	20	$ 32
Aggregate grant date fair value	$ 650		$ 560		$ 640	
Total fair value of shares vested during the year	$ 632		$ 762		$ 752	

	Year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
Shared-based compensation for non-vested shares	$ 589	$ 589	$ 687
Tax benefit for non-vested share compensation	$ 225	$ 225	$ 264
Unrecognized compensation cost for non-vested shares, net of estimated forfeitures	$ 256		

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 table summarizes the Company's non-employee stock option activity and related information for the years ended December 31, 2014, 2013 and 2012:

	2014		2013		2012	
	Options (000)	Weighted-Average Exercise Price	Options (000)	Weighted-Average Exercise Price	Options (000)	Weighted-Average Exercise Price
Outstanding at beginning of year	26	$ 23	29	$ 23	41	$ 21
Granted	—	—	—	—	—	—
Exercised	(18)	22	(3)	20	(12)	16
Forfeited	—	—	—	—	—	—
Outstanding and exercisable at end of year	8	$ 26	26	$ 23	29	$ 23
Aggregate intrinsic value for options exercised	$ 412		$ 54		$ 207	
Average aggregate intrinsic value for options outstanding and exercisable	$ 151					

At December 31, 2014, weighted average remaining contractual term for these options was 0.4 years.

Net Income per Share

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

	2014	2013	2012
Numerator:			
Net income and comprehensive income	$ 61,169	$ 54,467	$ 52,668
Income allocated to participating securities	(404)	—	—
Numerator for net income and comprehensive income to common shareholders	60,765	54,467	52,668
Denominator:			
Denominator for basic net income per share - weighted-average shares (in thousands)	30,599	30,135	28,967
Effect of dilutive stock options (in thousands)	431	615	528
Effect of dilutive performance shares (in thousands)	42	12	41
Denominator for diluted net income per share - adjusted weighted-average shares (in thousands)	31,072	30,762	29,536
Basic net income per share	$ 1.99	$ 1.81	$ 1.82
Diluted net income per share	$ 1.96	$ 1.77	$ 1.78

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

	2014	2013	2012
Anti-dilutive stock options (in thousands)	99	192	226
Anti-dilutive performance shares (in thousands)	—	—	22
Total anti-dilutive shares (in thousands)	99	192	248

(In thousands, except share and per share data)

5. Income Taxes

The provision for income taxes consists of the following:

	2014	2013	2012
Current:			
Federal	$ 33,631	$ 22,466	$ 24,981
State	4,306	2,133	3,462
	37,937	24,599	28,443
Deferred:			
Federal	(2,102)	4,367	2,452
State	(919)	489	(408)
	(3,021)	4,856	2,044
	$ 34,916	$ 29,455	$ 30,487

The tax benefit associated with the exercise of stock options and the vesting of non-vested shares recorded to additional paid in capital during the years ended December 31, 2014, 2013 and 2012 were $2,109, $3,612 and $385, respectively, and are reflected as an 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:

	2014	2013	2012
Tax expense at the statutory rate	$ 33,630	$ 29,373	$ 29,125
State income taxes, net of federal benefit	1,879	1,876	1,842
Incentive stock options	(96)	(908)	(154)
Meals and entertainment	186	139	172
Deferred tax asset valuation allowance	39	(85)	(39)
Federal income tax credits	(533)	(1,023)	(619)
Other	(189)	83	160
	$ 34,916	$ 29,455	$ 30,487

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:

(In thousands, except share and per share data)

	December 31, 2014	December 31, 2013
Deferred tax assets:		
Accrued expenses	$ 6,313	$ 4,287
Allowance for doubtful accounts	1,002	745
Share-based compensation	5,698	6,066
Accruals for income tax contingencies	300	547
Impairment of goodwill and other intangible assets	534	854
Net operating loss carryforwards	280	253
Total deferred tax assets	14,127	12,752
Valuation allowance	(273)	(234)
Total deferred tax assets, net of valuation allowance	13,854	12,518
Deferred tax liabilities:		
Tax over book depreciation	19,222	21,806
Non-compete agreements	3,639	5,149
Prepaid expenses deductible when paid	2,488	2,354
Goodwill	11,189	8,914
Total deferred tax liabilities	36,538	38,223
Net deferred tax liabilities	$ (22,684)	$ (25,705)

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

	December 31, 2014	December 31, 2013
Current assets	$ 2,496	$ 1,145
Noncurrent liabilities	(25,180)	(26,850)
	$ (22,684)	$ (25,705)

Total income tax payments, net of refunds, during fiscal years 2014, 2013 and 2012 were $30,087, $25,168 and $32,214, respectively.

At December 31, 2014 and 2013, the Company had state net operating loss carryforwards of $6,500 and $5,468, respectively, that will expire between 2015 and 2029. The use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations for these separate legal entities will not generate sufficient taxable income to realize these net operating loss benefits for state loss carryforwards. As a result, a valuation allowance has been provided for most of these state loss carryforwards. The valuation allowance on these state loss carryforwards increased $39 during 2013 but decreased $85 during 2012.

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 2010.

(In thousands, except share and per share data)

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

	Liability for Unrecognized Tax Benefits
Balance at December 31, 2011	481
Reductions for settlement with state taxing authorities	(204)
Balance at December 31, 2012	277
Additions for tax positions of current year	209
Additions for tax positions of prior years - TQI	853
Balance at December 31, 2013	1,339
Reductions for settlement with state taxing authorities	(697)
Additions for tax positions of prior years - TQI	63
Additions for tax positions of current year	66
Balance at December 31, 2014	$ 771

Included in the liability for unrecognized tax benefits at December 31, 2014 and December 31, 2013 are tax positions of $771 and $1,339, 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, 2014 and December 31, 2013, are accrued penalties of $170 and $277, respectively. The liability for unrecognized tax benefits at December 31, 2014 and December 31, 2013 also included accrued interest of $414 and $299, respectively.

6. 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. Primarily, through acquisitions, 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 2021 and may not be renewed beyond the original term.

Sublease rental income, was $980, $914 and $813 in 2014, 2013 and 2012, respectively. In 2015, the Company expects to receive aggregate future minimum rental payments under noncancellable subleases of approximately $74. Noncancellable subleases expire between 2015 and 2017.

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, 2014:

2015	$ 22,295
2016	16,909
2017	11,452
2018	7,563
2019	3,827
Thereafter	2,470
Total	$ 64,516

7. Commitments and Contingencies

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

The primary claims in the Company's business relate to workers' compensation, property damage, vehicle liability and employee medical benefits. Most of the Company's insurance coverage provides for self-insurance levels with primary and excess coverage which management believes is sufficient to adequately protect the Company from catastrophic claims. Such insurance coverage above the applicable self-insurance levels continues to be an important part of the Company's risk management process. In the opinion of management, adequate provision has been made for all incurred claims up to the self-insured limits, including provision for estimated claims incurred but not reported.

The Company estimates its self-insurance loss exposure by evaluating the merits and circumstances surrounding individual known claims and by performing hindsight and actuarial analysis to determine an estimate of probable losses on claims incurred but not reported. Such losses 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, 2014, the Company had commitments to purchase various trailers, vehicles and forklifts for approximately $5,708 during 2015.

8. Employee Benefit Plan

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

Employer contributions vest 20.0% after two years of service and continue vesting 20.0% per year until fully vested. The Company's matching contributions expensed in 2014, 2013 and 2012 were approximately $895, $823 and $675, respectively.

9. Financial Instruments

Off Balance Sheet Risk

At December 31, 2014, the Company had letters of credit outstanding totaling $9,749.

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 credit facility at December 31, 2014 bore interest at LIBOR plus 1.1% based upon covenants related to total indebtedness to earnings. Using interest rate quotes currently available in the market and remaining cash flows on these arrangements, the Company estimated the fair value of its outstanding capital lease obligations as follows:

(In thousands, except share and per share data)

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital lease obligations	$ 1,551	$ 1,578	$ 72	$ 99

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.

10. Segment Reporting

The Company operates in three reportable segments based on information available to and used by the chief operating decision maker. Forward Air, which includes our Forward Air and CST operating segments, provides time-definite transportation and logistics services including expedited truckload and intermodal drayage. FASI provides pool distribution services primarily to regional and national distributors and retailers. TQI is a provider of maximum security and temperature-controlled logistics services, primarily truckload services, to the life sciences sector (pharmaceutical and biotechnology products).

The accounting policies of the segments are the same as those described in the summary of significant accounting policies disclosed in Note 1 to the Consolidated Financial Statements. Segment data includes intersegment revenues. Assets and costs of the corporate headquarters are allocated to the segments based on usage. The Company evaluates the performance of its segments based on net income (loss). The Company’s business is conducted in the U.S. and Canada.

The following tables summarize segment information about net income 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, 2014, 2013 and 2012.

(In thousands, except share and per share data)

Year ended December 31, 2014	Forward Air	FASI	TQI	Eliminations	Consolidated
External revenues	$ 608,118	$ 124,382	$ 48,459	$ —	$ 780,959
Intersegment revenues	4,219	831	365	(5,415)	—
Depreciation and amortization	21,721	5,811	3,601	—	31,133
Share-based compensation expense	6,470	176	35	—	6,681
Interest expense	602	2	6	—	610
Interest income	8	—	—	—	8
Income tax expense	31,792	2,203	921	—	34,916
Net income	53,985	3,790	3,394	—	61,169
Total assets	607,765	47,516	88,781	(202,257)	541,805
Capital expenditures	26,170	7,133	6,184	—	39,487

Year ended December 31, 2013	Forward Air	FASI	TQI	Eliminations	Consolidated
External revenues	$ 497,993	$ 112,766	$ 41,722	$ —	$ 652,481
Intersegment revenues	3,075	645	120	(3,840)	—
Depreciation and amortization	16,222	4,945	2,412	—	23,579
Share-based compensation expense	5,959	140	79	—	6,178
Interest expense	513	8	11	—	532
Interest income	36	—	1	—	37
Income tax expense	26,981	846	1,628	—	29,455
Net income	51,251	1,255	1,961	—	54,467
Total assets	478,790	42,049	85,490	(100,060)	506,269
Capital expenditures	25,017	6,901	3,521	—	35,439

Year ended December 31, 2012	Forward Air	FASI	TQI	Eliminations	Consolidated
External revenues	$ 500,621	$ 83,825	$ —	$ —	$ 584,446
Intersegment revenues	1,116	1,152	—	(2,268)	—
Depreciation and amortization	16,356	4,665	—	—	21,021
Share-based compensation expense	5,857	193	—	—	6,050
Interest expense	369	22	—	—	391
Interest income	41	—	—	—	41
Income tax expense	30,053	434	—	—	30,487
Net income	51,127	1,541	—	—	52,668
Total assets	395,936	37,135	—	(33,884)	399,187
Capital expenditures	15,910	5,443	—	—	21,353

(In thousands, except share and per share data)

11. Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2014 and 2013:

	2014			
	March 31	June 30	September 30	December 31
Operating revenue	$ 171,569	$ 193,852	$ 201,477	$ 214,061
Income from operations	16,271	27,595	26,906	25,634
Net income	10,202	17,178	16,744	17,045
Net income per share:				
Basic	$ 0.33	$ 0.56	$ 0.55	$ 0.56
Diluted	$ 0.33	$ 0.55	$ 0.54	$ 0.55

	2013			
	March 31	June 30	September 30	December 31
Operating revenue	$ 141,560	$ 159,804	$ 170,033	$ 181,084
Income from operations	15,790	22,505	22,857	23,203
Net income	10,855	13,831	14,197	15,584
Net income per share:				
Basic	$ 0.37	$ 0.46	$ 0.47	$ 0.51
Diluted	$ 0.36	$ 0.45	$ 0.46	$ 0.50

12. Subsequent Event

Pending Acquisition

On February 4, 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) to acquire CLP Towne Inc. (“Towne”). Upon completion of the Merger, Towne will be an indirect, wholly-owned subsidiary of the Company. The acquisition is expected to close in the first quarter of 2015, subject to the satisfaction of closing conditions, including among others the continuing accuracy of representations and warranties, compliance with covenants and agreements in the Merger Agreement and the execution of restrictive covenants agreements by certain equity holders.

The Company will pay aggregate cash consideration of approximately $125,000. The purchase price may be increased or reduced based upon Towne’s net working capital as of the closing date. The Merger Agreement also provides that $16,500 of the $125,000 purchase price will be placed into an escrow account, with $2,000 of such amount being available to settle any shortfall in Towne’s net working capital and with $14,500 of such amount being available for a period of time to settle certain possible claims against Towne’s common stockholders for indemnification. To the extent the escrow fund is insufficient, certain equity holders have agreed to indemnify the Company, subject to certain limitations set forth in the Merger Agreement, as a result of inaccuracies in or breaches of certain of Towne’s representations, warranties, covenants and agreements and other matters. The Company intends to finance the Merger with borrowings under its credit facility.

New Credit Facility

On February 4, 2015, the Company entered into a five-year senior, unsecured credit facility (the “Facility”) with a maximum aggregate principal amount of $275,000, including a revolving credit facility of $150,000 with a sublimit of $25,000 for letters of credit and a sublimit of $15,000 for swing line loans. The Facility also includes a term loan facility of $125,000, which is available for ninety (90) days following closing, and which, if drawn, is payable in quarterly installments of 11.1% of the original principal amount of the term loan plus accrued and unpaid interest, and which matures in March 2017. The revolving credit facility is scheduled to expire in February 2020 and may be used to refinance existing indebtedness of the Company and for working capital, capital expenditures and other general corporate purposes. The Facility replaced the Company's prior existing $150,000 unsecured revolving credit facility. Unless the Company elects otherwise under the credit agreement, interest on borrowings under the Facility are based on the highest of (a) the federal funds rate plus 0.5%, (b) the administrative agent's prime rate and (c) the LIBOR Rate plus 1.0%, in each case plus a margin that can range from 0.1% to 0.6% with respect to the term loan facility and from 0.3% to 0.8% with respect to the revolving credit facility depending on the Company's ratio of consolidated funded indebtedness to earnings as set forth in the credit agreement. The Facility contains financial covenants and other covenants that, among other things, restrict the ability of the Company, without the approval of the lenders, to engage in certain mergers, consolidations, asset sales, investments, transactions or to incur liens or indebtedness, as set forth in the credit agreement.

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

Col. A	Col. B	Col. C		Col. D	Col. E
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Described	Deductions -Describe	Balance at End of Period
Year ended December 31, 2014					
Allowance for doubtful accounts	$ 1,583	$ 241	$ —	$ (331) [2]	$ 2,155
Allowance for revenue adjustments [1]	336	2,465	—	2,393 [3]	408
Income tax valuation	234	39	—	—	273
	2,153	2,745	—	2,062	2,836
Year ended December 31, 2013					
Allowance for doubtful accounts	$ 1,149	$ 423	$ —	$ (11) [2]	$ 1,583
Allowance for revenue adjustments [1]	295	2,531	—	2,490 [3]	336
Income tax valuation	319	(85)	—	—	234
	1,763	2,869	—	2,479	2,153
Year ended December 31, 2012					
Allowance for doubtful accounts	$ 1,219	$ 199	$ —	$ 269 [2]	$ 1,149
Allowance for revenue adjustments [1]	284	2,003	—	1,992 [3]	295
Income tax valuation	348	(29)	—	—	319
	1,851	2,173	—	2,261	1,763

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

(2) Represents uncollectible accounts written off, net of recoveries

(3) Represents adjustments to billed accounts receivable

EXHIBIT INDEX

No.		Exhibit
3.1		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		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 Annual 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))
10.3		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))
10.4	*	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))
10.5		Credit Agreement dated February 14, 2012 among the registrant and certain of its subsidiaries and Bank of America, N.A., as administrative agent and other lenders party thereto (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2012 (File No. 0-22490))
10.6	*	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))
10.7	*	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))
10.8	*	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))
10.90	*	Third Amendment dated December 15, 2010 to Employment Agreement dated October 30, 2007, between Forward Air Corporation and Bruce A. Campbell (incorporated herein by reference to Exhibit 10.10 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.10	*	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))
10.11	*	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))
10.12	*	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))

10.13	*	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))
10.14	*	Form of Non-Qualified Stock Option Agreement under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.16 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.15	*	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))
10.16	*	Form of Restricted Stock 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, 2010 filed with the Securities and Exchange Commission on February 24, 2011 (File No. 0-22490))
10.17	*	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))
10.18	*	Form of Performance Share Agreement for performance shares granted in February 2011, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, filed with the Securities and Exchange Commission on April 25, 2011 (File No. 0-22490))
10.19	*	Forward Air Corporation Executive Severance and Change in Control Plan, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))
10.20	*	Forward Air Corporation Recoupment Policy, effective as of January 1, 2013 (incorporated herein by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 14, 2012 (File No. 0-22490))
10.21	*	Forward Air Corporation Amended and Restated Stock Option and Incentive Plan, as further amended and restated on February 7, 2013 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 13, 2013 (File No. 0-22490))
10.22	*	Form of Performance Share Agreement for performance shares granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.23	*	Form of Restricted Stock Agreement for an award granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.24	*	Form on Non-Qualified Stock Option Agreement for an award granted in February 2013, under the registrant's Amended and Restated Stock Option and Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.25	*	Amended and Restated Non-Employee Director Stock Plan, as further amended and restated on February 8, 2013 (incorporated herein by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, filed with the Securities and Exchange Commission on April 25, 2013 (File No. 0-22490))
10.26		Stock Purchase Agreement dated March 4, 2013, by and among Forward Air Corporation, TQI Holdings, Inc. and the sellers named therein (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2013 (File No. 0-22490))
10.27		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))
10.28		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))

10.29	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))
10.30	Stock Purchase Agreement dated January 23, 2014, by and among Forward Air Corporation, Central States Trucking Co., Central States Logistics, Inc., Central States, Inc., and the stockholders of Central States, 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 February 6, 2014 (File No. 0-22490))
10.31	First amendment to the Credit Agreement dated February 14, 2012 by and among the Company, certain of its subsidiaries, the lenders referred to therein and Bank of America, N.A., as administrative agent (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 21, 2014 (File No. 0-22490))
21.1	Subsidiaries of the registrant
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (17 CFR 240.13a-14(a))
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Denotes a management contract or compensatory plan or arrangement.

Shareholder Information

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

Annual Meeting

The Company's 2015 Annual Meeting of Shareholders will be held at 8:00 a.m., EDT, on Tuesday, May 12, 2015, in The Explorer Room at the Atlanta Airport Marriott Gateway, 2020 Convention Center Concourse, Atlanta, GA 30337. Shareholders are invited to attend this meeting.

Inquiries

Inquiries from shareholders, securities analysts, registered representatives, and the news media regarding the Company should be directed to 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
P.O. Box 30170
College Station, TX 77842-3170
(800) 568-3476
https://www-us.computershare.com/investor/Contact

Independent Registered Public Accounting Firm

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

Board of Directors

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

Ronald W. Allen
Former Chief Executive Officer
Aaron's, Inc.

C. Robert Campbell
Lead Independent Director, Forward Air Corporation
Former Executive Vice President and Chief Financial Officer
MasTec, Inc.

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

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
Former Executive Vice President and Chief Financial Officer
Federal-Mogul Corporation

Ray A. Mundy, Ph.D.
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

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

Matthew J. Jewell
Executive Vice President, Intermodal Services and Chief Strategy Officer

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

Chris C. Ruble
Executive Vice President, Operations