FORWARD AIR CORP
Form 10-K
February 24, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2010
Commission File No. 000-22490

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

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

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

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

Common Stock, $0.01 par value (Title of class)	The NASDAQ Stock Market LLC (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 o No þ

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 o No þ

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 þ No o

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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting Company o
		(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 o No þ

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

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

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DOCUMENTS INCORPORATED BY REFERENCE

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

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Forward Air Corporation

Introductory Note

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

Part I

Item 1. Business

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

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

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

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

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

Our Industry

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

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

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

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

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

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

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

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

Competitive Advantages

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Growth Strategy

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

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

- Develop New Customers. We continue to actively market our Forward Air and FASI services to potential new customers. In our Forward Air segment, we believe air freight forwarders will continue to move away from integrated air cargo carriers because those carriers charge higher rates, and away from less-than-truckload carriers because those carriers provide less reliable service and compete for the same customers as do the air freight forwarders. In addition, we believe Forward Air's comprehensive North American network and related logistics services are attractive to domestic and international airlines. Forward Air Complete™ can also help attract business from new customers who require pick-up and delivery for their shipments. In our pool distribution business, we are emphasizing the development of relationships with customers who have peak volume seasons outside of the traditional fourth quarter spike in order to stabilize FASI's earnings throughout the calendar year. We are currently targeting customers from industries such as hospitality, healthcare and publishing. Further, by expanding our network of FASI terminals, we believe we can attract new customers and new business from existing customers by offering our services across multiple regions of the continental United States. During the upcoming years, we plan on expanding FASI's terminal footprint by opening FASI operations in select Forward Air terminals. We believe the utilization of existing Forward Air terminals will allow us to increase our FASI revenues with minimal addition of fixed costs.

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

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

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

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

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

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

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

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Operations

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

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

Forward Air

Airport-to-airport

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

Terminals

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

City	Airport Served	City	Airport Served
Albany, NY	ALB	Louisville, KY	SDF
Albuquerque, NM***	ABQ	Memphis, TN	MEM
Allentown, PA*	ABE	McAllen, TX	MFE
Atlanta, GA	ATL	Miami, FL	MIA
Austin, TX	AUS	Milwaukee, WI	MKE
Baltimore, MD	BWI	Minneapolis, MN	MSP
Baton Rouge, LA*	BTR	Mobile, AL*	MOB
Birmingham, AL*	BHM	Moline, IA	MLI
Blountville, TN*	TRI	Montgomery, AL***	MGM
Boston, MA	BOS	Nashville, TN**	BNA
Buffalo, NY	BUF	Newark, NJ	EWR
Burlington, IA	BRL	Newburgh, NY	SWF
Cedar Rapids, IA	CID	New Orleans, LA	MSY
Charleston, SC	CHS	New York, NY	JFK
Charlotte, NC	CLT	Norfolk, VA	ORF
Chicago, IL	ORD	Oklahoma City, OK	OKC
Cincinnati, OH	CVG	Omaha, NE	OMA
Cleveland, OH	CLE	Orlando, FL	MCO
Columbia, SC*	CAE	Pensacola, FL*	PNS
Columbus, OH	CMH	Philadelphia, PA	PHL
Corpus Christi, TX*	CRP	Phoenix, AZ	PHX
Dallas/Ft. Worth, TX**	DFW	Pittsburgh, PA	PIT
Dayton, OH*	DAY	Portland, OR	PDX
	DEN	Raleigh, NC	RDU

Denver, CO**			
Des Moines, IA**	DSM	Richmond, VA**	RIC
Detroit, MI	DTW	Rochester, NY	ROC
El Paso, TX	ELP	Sacramento, CA	SMF
Greensboro, NC	GSO	Salt Lake City, UT	SLC
Greenville, SC	GSP	San Antonio, TX	SAT
Hartford, CT	BDL	San Diego, CA	SAN
Harrisburg, PA	MDT	San Francisco, CA	SFO
Houston, TX	IAH	Seattle, WA	SEA
Huntsville, AL*	HSV	Shreveport, LA*	SHV
Indianapolis, IN	IND	St. Louis, MO	STL
Jacksonville, FL	JAX	Syracuse, NY	SYR
Kansas City, MO**	MCI	Tampa, FL	TPA
Knoxville, TN*	TYS	Toledo, OH*	TOL
Lafayette, LA*	LFT	Tucson, AZ*	TUS
Laredo, TX	LRD	Tulsa, OK**	TUL
Las Vegas, NV	LAS	Washington, DC	IAD
Little Rock, AR*	LIT	Montreal, Canada*	YUL
Los Angeles, CA	LAX	Toronto, Canada	YYZ

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

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

Direct Service and Regional Hubs

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

Shipments

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

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

Logistics and Other Services

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

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

- expedited full truckload, or TLX;
- dedicated fleets;
- customs brokerage, such as assistance with U.S. Customs and Border Protection (“U.S. Customs”) procedures for both import and export shipments;
- warehousing, dock and office space;
- drayage and intermodal;
- hotshot or ad-hoc ultra expedited services; and
- shipment consolidation and handling, such as shipment build-up and break-down and reconsolidation of air or ocean pallets or containers.

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

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

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

Forward Air Solutions (FASI)

Pool Distribution

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

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

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

Greensboro, NC	San Antonio, TX
Houston, TX	Tulsa, OK**
Jacksonville, FL	

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

Customers and Marketing

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

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

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

Technology and Information Systems

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

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

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

Purchased Transportation

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

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

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

Competition

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

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

Seasonality

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

Employees

As of December 31, 2010, we had 1,627 full-time employees, 576 of whom were freight handlers. Also, as of that date, we had an additional 1,090 part-time employees, of whom the majority was freight handlers. None of our employees are covered by a collective bargaining agreement. We recogize that our workforce, including our freight handlers, is one of our most valuable assets. The recruitment, training and retention of qualified employees is essential to support our continued growth and to meet the service requirements of our customers.

Risk Management and Litigation

Under U.S. Department of Transportation ("DOT") regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of $0.5 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers' compensation. We maintain workers' compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately $0.3 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately $0.4 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance.

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

Regulation

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

Service Marks

Through one of our subsidiaries, we hold federal trademark registrations or applications for federal trademark registration, associated with the following service marks: Forward Air, Inc. ®, North America's Most Complete Roadfeeder Network ®, Forward Air ™, Forward Air Solutions ®, Forward Air TLX™, and Forward Air Complete ™. These marks are of significant value to our business.

Website Access

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

Item 1A. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The segments of the freight transportation industry we participate in, are highly competitive, very fragmented and historically have few barriers to entry. Our principal competitors include national and regional truckload and less-than-truckload carriers. To a lesser extent, our Forward Air segment also competes with integrated air cargo carriers and passenger airlines. Our competition ranges from small operators that compete within a limited geographic area to companies with substantially greater financial and other resources, including greater freight capacity. We also face competition from air freight forwarders who decide to establish their own networks to transport deferred air freight. We believe competition is based on service, primarily on-time delivery, flexibility and reliability, as well as rates. Many of our competitors periodically reduce their rates to gain business, especially during times of economic decline. In the past several years, several of our competitors have reduced their rates to unusually low levels that we believe are unsustainable in the long-term, but that may materially adversely affect our business in the short-term. These competitors may cause a decrease in our volume of freight, require us to lower the prices we charge for our services and adversely affect both our growth prospects and profitability.

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

Under DOT regulations, we are liable for property damage and personal injuries caused by owner-operators and Company-employed drivers while they are operating on our behalf. We currently maintain liability insurance coverage that we believe is adequate to cover third-party claims. We have a self-insured retention of $0.5 million per occurrence for vehicle and general liability claims. We may also be subject to claims for workers’ compensation. We maintain workers’ compensation insurance coverage that we believe is adequate to cover such claims. We have a self-insured retention of approximately $0.3 million for each such claim, except in Ohio, where we are a qualified self-insured entity with an approximately $0.4 million self-insured retention. We could incur claims in excess of our policy limits or incur claims not covered by our insurance. Any claims beyond the limits or scope of our insurance coverage may have a material adverse effect on us. Because we do not carry “stop loss” insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability. In addition, we may be unable to maintain insurance coverage at a reasonable cost or in sufficient amounts or scope to protect us against losses.

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

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

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

- potential erosion of operating profits as new acquisitions may be unable to achieve profitability comparable with our core airport-to-airport business, and
- detrimental issues not discovered during due diligence.

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

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

We have $31.3 million of recorded net definite-lived intangible assets on our consolidated balance sheet at December 31, 2010. Our definite-lived intangible assets primarily represent the value of customer relationships and non-compete agreements that were recorded in conjunction with our various acquisitions. We review our long-lived assets, such as our definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized on these assets when the sum of undiscounted estimated cash flows expected to result from the use of the asset is less than the carrying value. If such measurement indicates an impairment, we would be required to record a non-cash impairment charge to our statement of income in the amount that the carrying value of these assets exceed the estimated fair value of the assets.

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

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

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

Our growth plans will place significant demands on our management and operating personnel. Our ability to manage our future growth effectively will require us to regularly enhance our operating and management information systems and to continue to attract, retain, train, motivate and manage key employees. If we are unable to manage our growth effectively, our business, results of operations and financial condition may be adversely affected.

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

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

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

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

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

We depend on owner-operators for most of our transportation needs. In 2010, owner-operators provided 63.9% of our purchased transportation. Competition for owner-operators is intense, and sometimes there are shortages of available owner-operators. In addition, we need a large number of freight handlers to operate our business efficiently. During periods of low unemployment in the areas where our terminals are located, we may have difficulty hiring and retaining a sufficient number of freight handlers. If we have difficulty attracting and retaining enough qualified owner-operators or freight handlers, we may be forced to increase wages and benefits, which would increase our operating costs. This difficulty may also impede our ability to maintain our delivery schedules, which could make our service less competitive and force us to curtail our planned growth. If our labor costs increase, we may be unable to offset the increased labor costs by increasing rates without adversely affecting our business. As a result, our profitability may be reduced.

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

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

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

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

The transportation industry is subject to legislative and regulatory changes that can affect the economics of our business by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services. Heightened security concerns may continue to result in increased regulations, including the implementation of various security measures, checkpoints or travel restrictions on trucks.

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

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

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

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

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

Our future performance depends, in significant part, upon the continued service of our senior management team. We cannot be certain that we can retain these employees. The loss of the services of one or more of these or other key personnel could have a material adverse effect on our business, operating results and financial condition. We must continue to develop and retain a core group of management personnel and address issues of succession planning if we are to realize our goal of growing our business. We cannot be certain that we will be able to do so.

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

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

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

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

- authorize us to issue preferred stock, the terms of which may be determined at the sole discretion of our Board of Directors and may adversely affect the voting or economic rights of our shareholders; and

- establish advance notice requirements for nominations for election to the Board of Directors and for proposing matters that can be acted on by shareholders at a meeting.

Our charter and bylaws and provisions of Tennessee law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices for our Common Stock, $0.01 par value per share, and also could limit the price that investors are willing to pay in the future for shares of our Common Stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties and Equipment

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

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

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

In June 2009, we completed the construction of a facility near Dallas/Fort Worth, Texas. The facility has over 216,000 square feet with 134 trailer doors and approximately 28,000 square feet of office space. We also own facilities near Chicago, Illinois and Atlanta, Georgia. The Atlanta, Georgia facility is over 142,000 square feet with 118 trailer doors and approximately 12,000 square feet of office space. The Chicago, Illinois facility is over 125,000 square feet with 110 trailer doors and over 10,000 square feet of office space.

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

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

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

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

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

Executive Officers of the Registrant

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

The following are our executive officers:

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

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

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

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

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

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

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

Part II

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

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

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

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

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

Subsequent to December 31, 2010, our Board of Directors declared a cash dividend of $0.07 per share that will be paid on March 28, 2011 to shareholders of record at the close of business on March 13, 2011. We expect to continue to pay regular quarterly cash dividends, though each subsequent quarterly dividend is subject to review and approval by the Board of Directors.

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

None of our securities were sold during fiscal year 2010 without registration under the Securities Act.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2010 with respect to shares of our Common Stock that may be issued under existing equity compensation plans, the 1999 Stock Option and Incentive Plan (the "1999

Plan"), the Amended and Restated Stock Option and Incentive Plan ("1999 Amended Plan"), the Non-Employee Director Stock Option Plan (the "NED Plan"), the 2000 Non-Employee Director Award (the "2000 NED Award"), the 2005 Employee Stock Purchase Plan (the "ESPP") and the Amended and Restated Non-Employee Director Stock Plan (the "Amended Plan"). Our shareholders have approved each of these plans.

Equity Compensation Plan Information

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

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

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

Stock Performance Graph

The following graph compares the percentage change in the cumulative shareholder return on our Common Stock with The NASDAQ Trucking and Transportation Stocks Index and The NASDAQ Global Select Stock Market™ Index commencing on the last trading day of December 2005 and ending on the last trading day of December 2010. The graph assumes a base investment of $100 made on December 31, 2005 and the respective returns assume reinvestment of all dividends. The comparisons in this graph are required by the SEC and, therefore, are not intended to forecast or necessarily be indicative of any future return on our Common Stock.

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

Issuer Purchases of Equity Securities

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

Item 6. Selected Financial Data

The following table sets forth our selected financial data. The selected financial data should be read in conjunction with our consolidated financial statements and notes thereto, included elsewhere in this report.

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

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

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

Overview and Executive Summary

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

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

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

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

Trends and Developments

Acquisitions

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

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

Results from Operations

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

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

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

Segments

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

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

Our FASI segment includes our pool distribution business.

Goodwill

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

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

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

Results of Operations

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

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

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

	Year ended					
	December 31, 2010	Percent of Revenue	December 31, 2009	Percent of Revenue	Change	Percent Change
Operating revenue						
Forward Air	$ 412.9	85.3 %	$ 346.3	83.0 %	$ 66.6	19.2 %
FASI	72.5	15.0	72.5	17.4	--	--
Intercompany Eliminations	(1.5)	(0.3)	(1.4)	(0.4)	(0.1)	7.1
Total	483.9	100.0	417.4	100.0	66.5	15.9
Purchased transportation						
Forward Air	185.8	45.0	160.3	46.3	25.5	15.9
FASI	16.9	23.3	15.4	21.2	1.5	9.7
Intercompany Eliminations	(1.3)	(86.7)	(1.3)	92.9	--	--
Total	201.4	41.6	174.4	41.8	27.0	15.5
Salaries, wages and employee benefits						
Forward Air	98.3	23.8	85.7	24.7	12.6	14.7
FASI	30.8	42.5	33.1	45.6	(2.3)	(6.9)
Total	129.1	26.7	118.8	28.5	10.3	8.7
Operating leases						
Forward Air	18.6	4.5	18.7	5.4	(0.1)	(0.5)
FASI	7.7	10.6	8.6	11.9	(0.9)	(10.5)
Total	26.3	5.4	27.3	6.5	(1.0)	(3.7)
Depreciation and amortization						
Forward Air	16.5	4.0	16.1	4.6	0.4	2.5
FASI	3.9	5.4	3.6	5.0	0.3	8.3
Total	20.4	4.2	19.7	4.7	0.7	3.6
Insurance and claims						
Forward Air	6.2	1.5	7.6	2.2	(1.4)	(18.4)
FASI	2.2	3.0	2.1	2.9	0.1	4.8
Total	8.4	1.7	9.7	2.3	(1.3)	(13.4)
Fuel expense						
Forward Air	3.8	0.9	3.1	0.9	0.7	22.6
FASI	4.7	6.5	4.2	5.8	0.5	11.9
Total	8.5	1.8	7.3	1.8	1.2	16.4

Other operating expenses						
Forward Air	29.8	7.2	27.7	8.0	2.1	7.6
FASI	6.5	9.0	6.8	9.4	(0.3)	(4.4)
Intercompany Eliminations	(0.2)	(13.3)	(0.1)	7.1	(0.1)	100.0
Total	36.1	7.5	34.4	8.3	1.7	4.9
Impairment of goodwill and other intangible assets						
Forward Air	--	--	0.2	0.1	(0.2)	(100.0)
FASI	--	--	7.0	9.6	(7.0)	(100.0)
Total	--	--	7.2	1.7	(7.2)	(100.0)
Income (loss) from operations						
Forward Air	53.9	13.1	26.9	7.8	27.0	100.4
FASI	(0.2)	(0.3)	(8.3)	(11.4)	8.1	(97.6)
Total	$ 53.7	11.1 %	$ 18.6	4.4 %	$ 35.1	188.7 %

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

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

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

Revenues

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

Forward Air

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

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

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

FASI

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

Intercompany Eliminations

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

Purchased Transportation

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

Forward Air

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

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

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

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

FASI

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

Intercompany Eliminations

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

Salaries, Wages, and Benefits

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

Forward Air

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

FASI

Salaries, wages and employee benefits of FASI decreased by $2.3 million, or 6.9%, to $30.8 million for the year ended December 31, 2010 from $33.1 million for the year ended December 31, 2009. As a percentage of FASI operating revenue, salaries, wages and benefits decreased to 42.5% for the year ended December 31, 2010 compared to 45.6% for the year ended December 31, 2009. FASI salaries, wages and employee benefits are higher as a percentage of operating revenue than our Forward Air segment, as a larger percentage of the transportation services are performed by Company-employed drivers. The decrease in salaries, wages and employee benefits as a percentage of revenue is attributable to reduced dock wages, Company-employed driver pay and reduced workers’ compensation and health insurance claims. As noted above, to move FASI to a more variable cost structure, we are in the process of shifting, wherever feasible, from Company-employed drivers to owner-operators. As a result, we reduced pay to

Company-employed drivers by 1.7% as a percentage of revenue. Also, for the year ended December 31, 2010 we reduced our dock wages by 0.8% as a percentage of revenue compared to the year ended December 31, 2009. The improvement in dock wages is largely the result of efficiencies gained by installing conveyor systems in our larger facilities and replacing contract labor with Company-employed dock personnel. Workers' compensation claims and groups insurance also decreased approximately 0.9% as a percentage of revenue on improved current year claim experience.

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

Operating Leases

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

Forward Air

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

FASI

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

Depreciation and Amortization

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

Forward Air

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

FASI

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

Insurance and Claims

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

Forward Air

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

FASI

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

Fuel Expense

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

Forward Air

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

FASI

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

Other Operating Expenses

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

Forward Air

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

FASI

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

Intercompany Eliminations

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

Impairment of Goodwill and Other Intangible Assets

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

Forward Air

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

FASI

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

Results from Operations

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

Forward Air

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

FASI

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

Interest Expense

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

Other Income, Net

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

Provision for Income Taxes

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

Net Income

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

Results of Operations

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

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

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

	Year ended					
	December 31, 2009	Percent of Revenue	December 31, 2008	Percent of Revenue	Change	Percent Change
Operating revenue						
Forward Air	$ 346.3	83.0%	$ 421.2	88.8%	$ (74.9)	(17.8)%
FASI	72.5	17.4	55.3	11.6	17.2	31.1
Intercompany Eliminations	(1.4)	(0.4)	(2.1)	(0.4)	0.7	(33.3)
Total	417.4	100.0	474.4	100.0	(57.0)	(12.0)
Purchased transportation						
Forward Air	160.3	46.3	179.9	42.7	(19.6)	(10.9)
FASI	15.4	21.2	11.2	20.2	4.2	37.5
Intercompany Eliminations	(1.3)	92.9	(2.1)	100.0	0.8	(38.1)
Total	174.4	41.8	189.0	39.9	(14.6)	(7.7)
Salaries, wages and employee benefits						
Forward Air	85.7	24.7	92.5	22.0	(6.8)	(7.4)
FASI	33.1	45.6	24.0	43.4	9.1	37.9
Total	118.8	28.5	116.5	24.6	2.3	2.0
Operating leases						
Forward Air	18.7	5.4	18.5	4.4	0.2	1.1
FASI	8.6	11.9	5.9	10.7	2.7	45.8
Total	27.3	6.5	24.4	5.1	2.9	11.9
Depreciation and amortization						
Forward Air	16.1	4.6	14.4	3.4	1.7	11.8
FASI	3.6	5.0	2.2	4.0	1.4	63.6
Total	19.7	4.7	16.6	3.5	3.1	18.7
Insurance and claims						
Forward Air	7.6	2.2	7.3	1.7	0.3	4.1
FASI	2.1	2.9	0.8	1.4	1.3	162.5
Total	9.7	2.3	8.1	1.7	1.6	19.8
Fuel expense						
Forward Air	3.1	0.9	5.8	1.4	(2.7)	(46.6)
FASI	4.2	5.8	5.7	10.3	(1.5)	(26.3)
Total	7.3	1.8	11.5	2.4	(4.2)	(36.5)

Other operating expenses						
Forward Air	27.7	8.0	32.1	7.6	(4.4)	(13.7)
FASI	6.8	9.4	5.9	10.7	0.9	15.3
Intercompany Eliminations	(0.1)	7.1	--	--	(0.1)	100.0
Total	34.4	8.3	38.0	8.0	(3.6)	(9.5)
Impairment of goodwill and other intangible assets						
Forward Air	0.2	0.1	--	--	0.2	100.0
FASI	7.0	9.6	--	--	7.0	100.0
Total	7.2	1.7	--	--	7.2	100.0
Income (loss) from operations						
Forward Air	26.9	7.8	70.7	16.8	(43.8)	(62.0)
FASI	(8.3)	(11.4)	(0.4)	(0.7)	(7.9)	1,975.0
Total	$ 18.6	4.4%	$ 70.3	14.8%	$ (51.7)	(73.5)%

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

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

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

Revenues

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

Forward Air

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

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

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

FASI

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

Intercompany Eliminations

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

Purchased Transportation

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

Forward Air

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

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

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

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

FASI

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

Intercompany Eliminations

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

Salaries, Wages, and Benefits

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

Forward Air

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

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

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

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

FASI

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

Operating Leases

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

Forward Air

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

FASI

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

Depreciation and Amortization

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

Forward Air

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

FASI

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

Insurance and Claims

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

Forward Air

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

FASI

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

Fuel Expense

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

Forward Air

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

FASI

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

Other Operating Expenses

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

Forward Air

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

FASI

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

Intercompany Eliminations

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

Impairment of Goodwill and Other Intangible Assets

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

Forward Air

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

FASI

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

Income from Operations

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

Forward Air

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

FASI

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

Interest Expense

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

Other Income, Net

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

Provision for Income Taxes

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

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

Net Income

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

Discussion of Critical Accounting Policies

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

Allowance for Doubtful Accounts

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

Allowance for Revenue Adjustments

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

Self-Insurance Loss Reserves

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

Revenue Recognition

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

Income Taxes

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

At December 31, 2010, we had state net operating loss carryforwards of $10.1 million that will expire between 2013 and 2026. The use of these state net operating losses is limited to the future taxable income of separate legal entities. Based on expectations of future taxable income, management believes that it is more likely than not that the results of operations will not generate sufficient taxable income to realize the net operating loss benefits for $6.5 million in state loss carryforwards. As a result, a valuation allowance has been provided for $6.5 million of the state loss carryforwards. The valuation allowance on these certain state loss carryforwards was approximately $0.3 million at December 31, 2009 and was unchanged during 2010.

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

Valuation of Goodwill

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

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

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

Share-Based Compensation

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

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

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

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

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

Operating Leases

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

Impact of Recent Accounting Pronouncements

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

At December 31, 2010, we had letters of credit outstanding from banks totaling $11.7 million required primarily by our workers' compensation and vehicle liability insurance providers.

Contractual Obligations and Commercial Commitments

Our contractual obligations and other commercial commitments as of December 31, 2010 (in thousands) are summarized below:

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

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

Forward-Looking Statements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

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

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our principal executive and principal financial officers, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2010. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in this annual report on Form 10-K has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the framework set forth by the Committee on Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework. Based on our assessment, we have concluded, as of December 31, 2010, that our internal control over financial reporting was effective based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements for the year ended December 31, 2010, has issued an attestation report on the Company's internal control over financial reporting.

Changes in Internal Control over Financial Reporting

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Forward Air Corporation

We have audited Forward Air Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Forward Air Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

/s/ Ernst & Young LLP

Nashville, Tennessee

February 24, 2011

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Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

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

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accounting Fees and Services

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

Part IV

Item 15. Exhibits, Financial Statement Schedules

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

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

(a)(3) List of Exhibits.

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

(b) Exhibits.

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

(c) Financial Statement Schedules.

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

SIGNATURES

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

Forward Air Corporation

Date: February 24, 2011	By:	/s/ Rodney L. Bell Rodney L. Bell Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial Officer)
	By:	/s/ Michael P. McLean Michael P. McLean Chief Accounting Officer, Vice President and Controller (Principal Accounting Officer)

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

Signature	Title	Date
/s/ Bruce A. Campbell Bruce A. Campbell	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 24, 2011
/s/ Rodney L. Bell Rodney L. Bell	Chief Financial Officer, Senior Vice President and Treasurer (Principal Financial Officer)	February 24, 2011
/s/ Michael P. McLean Michael P. McLean	Chief Accounting Officer, Vice President and Controller (Principal Accounting Officer)	February 24, 2011
/s/ G. Michael Lynch G. Michael Lynch	Lead Director	February 24, 2011

/s/ Ron W. Allen Ron W. Allen	Director	February 24, 2011
/s/ C. Robert Campbell C. Robert Campbell	Director	February 24, 2011
/s/ Richard W. Hanselman Richard W. Hanselman	Director	February 24, 2011
/s/ C. John Langley, Jr. C. John Langley, Jr.	Director	February 24, 2011
/s/ Tracy A. Leinbach Tracy A. Leinbach	Director	February 24, 2011
/s/ Larry D. Leinweber Larry D. Leinweber	Director	February 24, 2011
/s/ Ray A. Mundy Ray A. Mundy	Director	February 24, 2011
/s/ Gary L. Paxton Gary L. Paxton	Director	February 24, 2011

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

List of Financial Statements and Financial Statement Schedule

Financial Statements and Supplementary Data

Certain Exhibits

Financial Statement Schedule

Year Ended December 31, 2010

Forward Air Corporation

Greeneville, Tennessee

Forward Air Corporation

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

Index to Financial Statements and Financial Statement Schedule

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

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

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Forward Air Corporation

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

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

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

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

/s/ Ernst & Young LLP

Nashville, Tennessee
February 24, 2011

Forward Air Corporation
Consolidated Balance Sheets
(Dollars in thousands)

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

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

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

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

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

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

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

Weighted average shares outstanding:			
Basic	28,984	28,928	28,808
Diluted	29,111	28,993	29,025
Dividends per share:	$ 0.28	$ 0.28	$ 0.28

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

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

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2007	28,648	$ 286	$ --	$ 171,447	$ 171,733
Net and comprehensive income for 2008	--	--	--	42,542	42,542
Exercise of stock options	191	2	3,083	--	3,085
Common stock issued under employee stock purchase plan	10	--	255	--	255
Share-based compensation	--	--	6,269	(2)	6,267
Dividends ($0.28 per share)	--	--	2	(8,091)	(8,089)
Vesting of previously non-vested shares	56	1	(1)	--	--
Cash settlement of share-based awards for minimum tax withholdings	(11)	--	(389)	--	(389)
Income tax benefit from stock options exercised	--	--	1,030	--	1,030
Balance at December 31, 2008	28,894	289	10,249	205,896	216,434
Net and comprehensive income for 2009	--	--	--	9,802	9,802
Exercise of stock options	1	--	8	--	8
Common stock issued under employee stock purchase plan	12	--	237	--	237
Share-based compensation	--	--	6,754	--	6,754
Dividends ($0.28 per share)	--	--	3	(8,112)	(8,109)
Vesting of previously non-vested shares	56	1	(1)	--	--
Cash settlement of share-based awards for minimum tax	(13)	--	(249)	--	(249)

withholdings					
Income tax expense from stock options exercised	--	--	(370)	--	(370)
Balance at December 31, 2009	28,950	290	16,631	207,586	224,507
Net and comprehensive income for 2010	--	--	--	32,036	32,036
Exercise of stock options	46	--	991	--	991
Common stock issued under employee stock purchase plan	8	--	195	--	195
Share-based compensation	--	--	6,284	--	6,284
Dividends ($0.28 per share)	--	--	5	(8,126)	(8,121)
Vesting of previously non-vested shares	27	--	--	--	--
Income tax benefit from stock options exercised	--	--	194	--	194
Balance at December 31, 2010	29,031	$ 290	$ 24,300	$ 231,496	$ 256,086

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

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

	Year ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Operating activities:			
Net income	$ 32,036	$ 9,802	$ 42,542
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	20,450	19,722	16,615
Impairment of goodwill and other intangible assets	--	7,157	--
Share-based compensation	6,284	6,754	6,267
(Gain) loss on disposal of property and equipment	(570)	(6)	171
Provision for (recovery) loss on receivables	(52)	(60)	903
Provision for revenue adjustments	1,589	2,390	4,259
Deferred income taxes	1,436	(4,581)	1,151
Tax (benefit) expense for stock options exercised	(194)	370	(1,030)
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable	(8,580)	(844)	(2,376)
Prepaid expenses and other current assets	(40)	548	(2,102)
Accounts payable and accrued expenses	3,022	3,831	(2,665)
Income taxes	(1,386)	5,096	(4,652)
Net cash provided by operating activities	53,995	50,179	59,083
Investing activities:			
Proceeds from disposal of property and equipment	1,482	270	87
Purchases of property and equipment	(15,148)	(20,847)	(26,699)
Acquisition of businesses	--	--	(29,566)
Other	(224)	372	(10)
Net cash used in investing activities	(13,890)	(20,205)	(56,188)
Financing activities:			
	(895)	(1,549)	(1,603)

Payments of debt and capital lease obligations			
Borrowings on line of credit	--	--	45,000
Payments on line of credit	--	--	(25,000)
Proceeds from exercise of stock options	991	8	3,085
Payments of cash dividends	(8,121)	(8,109)	(8,089)
Common stock issued under employee stock purchase plan	195	237	