XPO Logistics

Notice of 2015 Annual Meeting
Proxy Statement
2014 Annual Report

XPO Logistics, Inc. (NYSE: XPO) facilitates more than 37,000 deliveries a day as one of the largest and fastest growing providers of transportation logistics services in North America. XPO is the third largest freight brokerage firm, the third largest provider of intermodal services, the largest provider of last mile logistics for heavy goods, the largest manager of expedited shipments, and a leading provider of highly engineered, technology-enabled supply chain solutions. Additionally, XPO has growing positions in managed transportation and global forwarding. The company's two business units – transportation and logistics – utilize relationships with ground, rail, sea and air carriers and other suppliers to serve over 15,000 customers in the manufacturing, retail, industrial, technology, aerospace, commercial, life sciences and governmental sectors. XPO is built to deliver constant growth in capacity, competitive pricing, passionate service and technological innovation, with over 200 locations and approximately 10,000 employees. *www.xpo.com*

Forward-Looking Statements:
This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including XPO's future financial targets. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include those discussed in XPO's filings with the Securities and Exchange Commission and the following: economic conditions generally; competition; XPO's ability to find suitable acquisition candidates and execute its acquisition strategy; the expected impact of the acquisitions, including the expected impact on XPO's results of operations; XPO's ability to successfully integrate and realize anticipated synergies and cost savings with respect to acquired companies; XPO's ability to raise capital; XPO's ability to attract and retain key employees to execute its growth strategy, including acquired companies' management teams; the ability to develop and implement a suitable information technology system; litigation, including litigation related to alleged misclassification of independent contractors; the ability to maintain positive relationships with XPO's networks of third-party transportation providers; the ability to retain XPO's and acquired companies' largest customers; rail and other network changes; weather and other service disruptions; and governmental regulation. All forward-looking statements set forth in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, XPO or its businesses or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and XPO undertakes no obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events except to the extent required by law.

XPO LOGISTICS, INC.
Five Greenwich Office Park
Greenwich, Connecticut 06831

To Our Shareholders

2014 was an exciting inflection point for us. We more than tripled the size of the company and began positioning our services under the single brand of XPO Logistics. Our employees are united as one organization, committed to providing world-class service to our customers and carriers.

We drove outstanding organic revenue growth of 45% for the year and completed four acquisitions that further differentiated our supply chain offering. In April, we became the third largest provider of intermodal services in North America. In July, we strengthened our last mile presence in the high growth e-commerce sector. And in September, we achieved critical mass when we acquired a leadership position in technology-enabled contract logistics. Contract logistics is attractive to us due to its highly customized nature and longstanding customer relationships.

The addition of contract logistics was transformational for us in terms of both scale and capability. XPO is now a highly integrated platform of more than 200 locations and approximately 10,000 employees, focused on serving customers with freight brokerage, intermodal, last mile, expedite, contract logistics and global forwarding services.

Our 2014 results kept us on a robust trajectory of 30% revenue CAGR quarter-over-quarter for the first 36 months of our growth strategy. It’s a strong number, but it’s not the sole goalpost. We’re building XPO to help companies operate their supply chains as effectively as possible. Our broad resources, deep capacity and ingrained service culture, as well as the $125 million we’ll spend on technology this year, are all evidence of how strongly we’re committed to our customers’ success.

Our disciplined execution was instrumental in attracting over $1.6 billion of capital to the company last year. In February, we realized $413 million in net proceeds from a public offering of our common stock. In August, we completed the private placement offering of $500 million of senior notes. And in September, we closed on a $700 million private placement of our equity. The equity investment was made by three highly regarded institutional investors: Public Sector Pension Investment Board (PSP Investments), GIC, which is Singapore’s sovereign wealth fund, and Ontario Teachers’ Pension Plan (OTPP). We believe that these capital raises are strong endorsements of our plan for value creation.

Financial Performance

We set a high bar in 2014, and exceeded expectations. We grew full year total revenue to $2.4 billion – more than 235% higher than the prior year – with both of our reporting segments generating strong fourth quarter tailwinds going into 2015. Our Transportation segment, which includes freight brokerage, intermodal, last mile, expedite and global forwarding, grew revenue by over 204% and more than tripled operating income year-over-year. Our Logistics segment, comprised of our contract logistics operations, exceeded plan for both revenue and operating income primarily based on higher volumes from retailers.

The impact of our M&A transaction and integration costs and non-cash charges can be seen in the full year 2014 GAAP net loss available to common shareholders of $107.4 million. Our adjusted EBITDA – which we believe is the most meaningful measure of our progress – improved dramatically year-over-year to a gain of $81.4 million.[1]

Our 2014 performance accelerated us past our year-end target run rates of $3 billion of revenue and $150 million of adjusted EBITDA.

Outlook

I'm very proud that we've delivered on every target we've set since we began executing our strategy in September of 2011. Our acquired operations are performing exceedingly well. We're driving outsized organic growth. We're attracting quality carriers with the capacity to take on our customers' freight. Our employees have more career options in our much larger company. And our intense commitment to customer satisfaction is now reflected across the industry's most comprehensive range of supply chain solutions. Most important, the substantial investments we've made in infrastructure over the past three years have created the foundation for a much larger company – we can grow and integrate our operations at a rapid pace with seamless service to customers.

We're confident in our 2015 outlook for an annual EBITDA run rate of at least $300 million and an annual revenue run rate of at least $5.25 billion by year-end. We plan to acquire at least $1.5 billion of historical annual revenue to meet or exceed these targets.

Looking to the longer term, we see a clear path to grow the business far beyond our achievements to date. We've reaffirmed our 2017 targets of approximately $9 billion of revenue and approximately $575 million of EBITDA. And we're moving forward from a position of strength: a highly scalable foundation, numerous avenues for growth, and leading positions in the fastest growing areas of logistics.

April 8, 2015

Brad Jacobs

Bradley S. Jacobs
Chairman and Chief Executive Officer

---

[1] Adjusted EBITDA is a non-GAAP measure. A reconciliation of adjusted EBITDA to net loss available to common shareholders is provided in the financial table set forth opposite the inside back cover page of this annual report.

XPO Logistics

XPO LOGISTICS, INC.

Five Greenwich Office Park
Greenwich, Connecticut 06831

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 19, 2015

To the Stockholders of XPO Logistics, Inc.:

Notice is hereby given that the annual meeting of stockholders of XPO Logistics, Inc. will be held on Tuesday, May 19, 2015 at 10:00 a.m., Eastern Daylight Time (EDT), at the Stamford Marriott Hotel & Spa, located at 243 Tresser Boulevard, Stamford, Connecticut 06901, for the following purposes as more fully described in the proxy statement:

- To elect two (2) members of our Board of Directors for a term to expire in 2018 or until their successors are duly elected and qualified or, if Proposal 2 to declassify our Board of Directors is approved by our stockholders, for a term to expire at the 2016 annual meeting of stockholders;
- To approve an amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2015;
- To conduct an advisory vote to approve executive compensation; and
- To consider such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Only stockholders of record as of the close of business on April 2, 2015, the record date, are entitled to receive notice of, and to vote at, the annual meeting or any adjournment or postponement of the annual meeting.

Please note that, if you plan to attend the annual meeting in person, you will need to register in advance and receive an admission card to be admitted. Please follow the instructions on page 4 of the proxy statement.

Your vote is important. Whether or not you plan to attend the annual meeting in person, it is important that your shares be represented. We ask that you vote your shares as soon as possible.

BY ORDER OF THE BOARD,

Gordon E. Devens
Senior Vice President,
General Counsel and Secretary

Greenwich, Connecticut
April 8, 2015

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 19, 2015

This Proxy Statement and our Annual Report on Form 10-K for the Year Ended December 31, 2014 are available at www.edocumentview.com/XPO.

XPO LOGISTICS, INC.

Five Greenwich Office Park
Greenwich, Connecticut 06831

PROXY STATEMENT

This proxy statement sets forth information relating to the solicitation of proxies by the Board of Directors of XPO Logistics, Inc. ("XPO Logistics" or our "company") in connection with our company's 2015 annual meeting of stockholders or any adjournment or postponement of the annual meeting. The annual meeting will take place on Tuesday, May 19, 2015 at the Stamford Marriott Hotel & Spa, located at 243 Tresser Boulevard, Stamford, Connecticut 06901, at 10:00 a.m., Eastern Daylight Time.

This proxy statement and form of proxy are first being sent on or about April 8, 2015, to our stockholders of record as of the close of business on Thursday, April 2, 2015, the record date.

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

What is the purpose of the annual meeting?

Our 2015 annual meeting will be held for the following purposes:

- To elect two (2) members of our Board of Directors for a term to expire in 2018 or until their successors are duly elected and qualified or, if Proposal 2 to declassify our Board of Directors is approved by our stockholders, for a term to expire at the 2016 annual meeting of stockholders *(Proposal 1)*;
- To approve an amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors *(Proposal 2)*;
- To ratify the appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for 2015 *(Proposal 3)*;
- To conduct an advisory vote to approve executive compensation *(Proposal 4)*; and
- To consider such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

In addition, senior management of XPO Logistics and representatives of our outside auditor, KPMG will be available to respond to your questions.

Who can vote at the annual meeting?

You can vote at the annual meeting if, as of the close of business on Thursday, April 2, 2015, the record date, you were a holder of record of our company's common stock or Series A Convertible Perpetual Preferred Stock (the "preferred stock"). As of the record date, there were issued and outstanding 79,659,071 shares of common stock, each of which is entitled to one vote on each matter to come before the annual meeting.

In addition, as of the record date there were issued and outstanding 73,335 shares of preferred stock. Each share of preferred stock is entitled to vote together with our common stock on each matter to come before the annual meeting as if the share of preferred stock were converted into shares of common stock as of the record date, meaning that each share of preferred stock is entitled to approximately 143 votes on each matter to come before the annual meeting. As a result, a total of 90,135,500 votes are eligible to be cast at the annual meeting based on the number of outstanding shares of common stock and preferred stock, voting together as a single class.

How many shares must be present to conduct business at the annual meeting?

A quorum is necessary to hold a valid meeting of stockholders. For each of the proposals to be presented at the annual meeting, the holders of shares of our common stock or preferred stock outstanding on April 2, 2015, the record date, representing 45,067,751 votes must be present at the annual meeting, in person or by proxy. If you vote – including by Internet, telephone or proxy card – your shares voted will be counted towards the quorum for the annual meeting. Abstentions and broker non-votes are counted as present for the purpose of determining a quorum.

How do I vote?

Registered Stockholders. If you are a registered stockholder (*i.e.*, you hold your shares in your own name through our transfer agent, Computershare Trust Company, N.A., referred to herein as "Computershare"), you may vote by proxy via the Internet, by telephone, or by mail by following the instructions provided on the proxy card. Stockholders of record who attend the annual meeting may vote in person by obtaining a ballot from the inspector of elections.

Beneficial Owners. If you are a beneficial owner of shares (*i.e.*, your shares are held in the name of a brokerage firm, bank or a trustee), you may vote by proxy by following the instructions provided in the vote instruction form or other materials provided to you by the brokerage firm, bank or other nominee that holds your shares. To vote in person at the annual meeting, you must obtain a legal proxy from the brokerage firm, bank or other nominee that holds your shares.

XPO Logistics, Inc. ESOP Participants. If you participate in the XPO Logistics, Inc. Employee Stock Ownership Plan (the "Plan"), you may vote the number of shares of common stock credited to your Plan account as of 5:00 p.m. EDT on April 2, 2015, the record date, in the same manner as a registered stockholder. If you hold shares through the Plan and you do not provide clear voting instructions, the Plan's trustee, Horizon Trust and Management, will vote such shares in the same proportion that it votes shares for which it received valid and timely instructions.

Will my shares be voted if I do not provide voting instructions?

If you are a stockholder of record and you properly sign, date and return a proxy card, but do not indicate how you wish to vote with respect to a particular nominee or proposal, then your shares will be voted **FOR** the election of the two nominees for director named in "Proposal 1—Election of directors," **FOR** "Proposal 2—Approval of an amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors," **FOR** "Proposal 3—Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015," and **FOR** "Proposal 4—Advisory vote to approve executive compensation."

Under the rules of the New York Stock Exchange ("NYSE"), brokerage firms have the authority to vote shares held for a beneficial owner on "routine" matters. Accordingly, if your shares are held of record by a brokerage firm and you do not provide the firm specific voting instructions, that firm will have the authority to vote your shares only with respect to "Proposal 3—Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015," and your shares will not be voted and will be considered broker non-votes with respect to all other proposals described in this proxy statement. We urge you to provide voting instructions so that your shares will be voted.

Can I change my vote after I have voted?

Yes, you may revoke your proxy and change your vote at any time before the final vote at the annual meeting. You may change your vote by voting again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the annual meeting will be counted), signing and returning a new proxy card with a later date, or attending the annual meeting and voting in person. However, your attendance at the annual meeting will not automatically revoke any prior proxy unless you vote again at the annual meeting or specifically request in writing that your prior proxy be revoked.

What is the deadline to vote?

If you hold shares as the stockholder of record, your vote by proxy must be received before the polls close at the annual meeting. If you are the beneficial owner of shares, please follow the voting instructions provided by your broker, trustee or other nominee.

What vote is required to elect directors or take other action at the annual meeting?

- ***Proposal 1*: Election of two (2) directors.** The election of the two (2) director nominees named in this proxy statement requires the affirmative vote of shares of common stock or preferred stock, voting together as a single class, representing a plurality of the votes cast on the proposal at the annual meeting. This means that the two nominees will be elected if they receive more affirmative votes than any other person. You may not accumulate your votes for the election of directors. Brokers may not use discretionary authority to vote shares on the election of directors if they have not received specific instructions from their clients. For your vote to be counted in the election of directors, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the annual meeting in accordance with their specific instructions. Because the election of directors is determined on the basis of a plurality of the votes cast, abstentions and broker non-votes will have no effect on the election of directors. Our Board has approved amendments to our 2nd Amended and Restated Bylaws (the “bylaws”) that will be adopted if Proposal 2 is approved by the stockholders at the annual meeting to provide for a majority voting standard in uncontested future elections of directors, whereby for elections of directors in 2016 and thereafter directors must receive over 50% of votes cast in order to be elected.
- ***Proposal 2*: Approval of an amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors.** The approval of the proposal to adopt the amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors requires the affirmative vote of the holders of a majority in voting power of our outstanding common stock and Series A Preferred Stock as of the record date. Brokers may not use discretionary authority to vote shares on the proposal to adopt the amendment to our amended and restated certificate of incorporation if they have not received specific instructions from their clients. For your vote to be counted for this proposal, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the annual meeting in accordance with their specific instructions. Because the vote standard for the approval of this proposal is the affirmative vote of the holders of a majority in voting power of our outstanding common stock and Series A Preferred Stock as of the record date, abstentions and broker non-votes will have the effect of a vote against this proposal.
- ***Proposal 3*: Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2015.** Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2015 requires the affirmative vote of shares of common stock or preferred stock, voting together as a single class, representing a majority of votes cast on the proposal at the annual meeting. Because the vote standard for the ratification of our independent registered public accounting firm is a majority of the votes cast, abstentions will have the effect of a vote against the ratification of KPMG. We do not expect any broker non-votes as brokers have discretionary authority to vote on this matter.
- ***Proposal 4*: Advisory vote to approve executive compensation.** Advisory approval of the resolution on executive compensation requires the affirmative vote of shares of common stock or preferred stock, voting together as a single class, representing a majority of votes cast on the proposal at the annual

meeting. Brokers may not use discretionary authority to vote shares on the advisory vote to approve executive compensation if they have not received specific instructions from their clients. For your vote to be counted in the advisory vote to approve executive compensation, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the annual meeting in accordance with their specific instructions. Because the vote standard for the approval of the advisory vote on executive compensation is a majority of the votes cast, abstentions will have the effect of a vote against and broker non-votes will have no effect on that proposal.

In general, other business properly brought before the annual meeting requires the affirmative vote of shares of common stock or preferred stock, voting together as a single class, representing a majority of votes cast on such matter at the annual meeting.

How does the Board of Directors recommend that I vote?

Our Board recommends that you vote your shares **"FOR"** each director nominee named in this proxy statement, **"FOR"** approval of an amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors, **"FOR"** ratification of KPMG as our independent registered public accounting firm for 2015, and **"FOR"** advisory approval of the resolution to approve executive compensation.

How will the persons named as proxies vote?

If you complete and submit a proxy, the persons named as proxies will follow your instructions. If you submit a proxy but do not provide instructions, or if your instructions are unclear, the persons named as proxies will vote as recommended by our Board or, if no recommendation is given, in their own discretion.

Where can I find the results of the voting?

We intend to announce preliminary voting results at the annual meeting and will publish final results through a Current Report on Form 8-K to be filed with the Securities and Exchange Commission ("SEC") within four (4) business days after the annual meeting. The Current Report on Form 8-K will be available on the Internet at our website, www.xpo.com.

Do I need a ticket to attend the annual meeting?

Yes, you will need an admission card to enter the annual meeting. You may request tickets by providing the name under which you hold shares of record or, if your shares are held in the name of a bank, broker or other holder of record, the evidence of your beneficial ownership of the shares, the number of tickets you are requesting and your contact information. You can submit your request in the following ways:

- by sending an e-mail to annualmeeting@xpo.com; or
- by calling us toll-free at (855) XPO-INFO (855-976-4636).

Stockholders also must present a form of personal photo identification in order to be admitted to the annual meeting. If you plan to attend the 2015 annual meeting, you can obtain directions to the Stamford Marriott Hotel & Spa from the hotel's website at www.marriott.com/hotels/travel/stfct-stamford-marriott-hotel-and-spa.

Who will pay for the cost of soliciting proxies?

We will pay for the cost of soliciting proxies. We have engaged Innisfree M&A Incorporated to assist us in soliciting proxies in connection with the annual meeting, and have agreed to pay them approximately $11,000, plus their expenses for providing such services. Our directors, officers and other employees, without additional compensation, may solicit proxies personally, in writing, by telephone, by email or otherwise. As is customary, we will reimburse brokerage firms, fiduciaries, voting trustees, and other nominees for forwarding our proxy materials to each beneficial owner of common stock or preferred stock held of record by them.

What is "householding" and how does it affect me?

In accordance with notices to many stockholders who hold their shares through a bank, broker or other holder of record (a "street-name stockholder") and share a single address, only one copy of our proxy statement and 2014 annual report to stockholders is being delivered to that address unless contrary instructions from any stockholder at that address were received. This practice, known as "householding," is intended to reduce our printing and postage costs. However, any such street-name stockholder residing at the same address who wishes to receive a separate copy of this proxy statement and annual report may request a copy by contacting the bank, broker or other holder of record, or by sending a written request to: Investor Relations, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831 or by contacting Investor Relations by telephone at (855) XPO-INFO (855-976-4636). The voting instruction form sent to a street-name stockholder should provide information on how to request (1) householding of future company materials or (2) separate materials if only one set of documents is being sent to a household. A stockholder who would like to make one of these requests should contact us as indicated above.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Directors

Our Board currently consists of seven members, as set forth in the table below.

Name	Age	Position	Director Class	Expiration of Term [1]
Bradley S. Jacobs	58	Chairman of the Board and Chief Executive Officer	Class I	2017
G. Chris Andersen	76	Director	Class III	2016
Michael G. Jesselson	63	Director	Class I	2017
Adrian P. Kingshott	55	Director	Class I	2017
James J. Martell[2]	60	Director	Class II	2015
Jason D. Papastavrou[2]	52	Director	Class II	2015
Oren G. Shaffer	72	Director	Class III	2016

(1) If Proposal 2 to declassify our Board of Directors is approved by our stockholders, each director's term will expire at the 2016 annual meeting of stockholders.

(2) Nominee for re-election to our Board at the annual meeting for a term expiring at the 2018 annual meeting or, if Proposal 2 to declassify our Board of Directors is approved by our stockholders, for a term to expire at the 2016 annual meeting of stockholders.

Our Board is currently divided into three classes, each having three-year terms that expire in successive years. At the annual meeting, the terms of our Class II directors, Mr. James J. Martell and Dr. Jason D. Papastavrou, will expire. Upon the recommendation of our Nominating and Corporate Governance Committee, the Board has nominated each of Mr. Martell and Dr. Papastavrou to stand for re-election at the annual meeting, as set forth in Proposal 1 on page 45 of this proxy statement. If our stockholders approve Proposal 2 to declassify our Board, each of our directors will serve a term that will expire at the 2016 annual meeting of stockholders.

Under the terms of an Investment Agreement, dated as of June 13, 2011 (the "Investment Agreement"), by and among Jacobs Private Equity, LLC ("JPE"), the other investors party thereto (collectively with JPE, the "Investors"), and our company, our company must take all necessary steps to nominate, and must use its reasonable best efforts to cause the board to unanimously recommend that our stockholders vote in favor of, all nominees for election to our Board designated by Bradley S. Jacobs, as the managing member of JPE, subject to the board's fiduciary duties. JPE also has the right to designate certain percentages of the nominees for our Board so long as JPE owns securities (including preferred stock convertible into, or warrants exercisable for, securities) representing specified percentages of the total voting power of our capital stock on a fully-diluted basis. JPE does not currently exceed the indicated voting power thresholds under the Investment Agreement. The foregoing rights of JPE under the Investment Agreement are in addition to, and not in limitation of, JPE's voting rights as a holder of capital stock of our company. JPE is controlled by Bradley S. Jacobs, our Chairman of the Board and Chief Executive Officer. The Investment Agreement and the transactions contemplated therein were approved by our stockholders at a special meeting on September 1, 2011.

None of the foregoing will prevent our Board from acting in accordance with its fiduciary duties or applicable law or stock exchange requirements or from acting in good faith in accordance with our governing documents, while giving due consideration to the intent of the Investment Agreement.

Our Board consists of an experienced group of business leaders, many of whom have served as executive officers or on boards and board committees of major companies and have extensive understanding of principles of corporate governance. Our directors also have broad corporate finance, capital markets and investment banking experience. Our directors have a strong owner orientation—approximately 21% of the voting power of our capital stock on a fully-diluted basis is held by our directors or entities or persons related to our directors (as of April 2, 2015).

We have set forth below information regarding each of our directors, including the experience, qualifications, attributes or skills that led the Board to conclude that such person should serve as a director.

Bradley S. Jacobs has served as our Chief Executive Officer and Chairman of our Board of Directors since September 2, 2011. Mr. Jacobs is also the managing director of JPE, which is our largest stockholder. He has led two public companies: United Rentals, Inc. (NYSE: URI), which he co-founded in 1997, and United Waste Systems, Inc., founded in 1989. Mr. Jacobs served as chairman and chief executive officer of United Rentals for that company's first six years, and as executive chairman for an additional four years. He served eight years as chairman and chief executive officer of United Waste Systems. Previously, Mr. Jacobs founded Hamilton Resources (UK) Ltd. and served as its chairman and chief operating officer. This followed the co-founding of his first venture, Amerex Oil Associates, Inc., where he was chief executive.

G. Chris Andersen has served as a director of the company since September 2, 2011. Mr. Andersen is the founder and a managing partner of G.C. Andersen Partners, LLC. Previously, Mr. Andersen served as vice chairman of PaineWebber, and as head of the Investment Banking Group at Drexel Burnham Lambert Incorporated. Mr. Andersen is a director and former lead director of Terex Corporation. He is a founder of the Garn Institute of Finance at the University of Utah, sits on the advisory board of the RAND Corporation's Center for Asia Pacific Policy and is a member of the Executive Committee and Board of Directors of Junior Achievement of New York. Mr. Andersen holds a master's degree from the Kellogg School of Management and is a chartered financial analyst.

Michael G. Jesselson has served as a director of the company since September 2, 2011. Mr. Jesselson has served as the president of Jesselson Capital Corporation since 1994. He is a longstanding director of American Eagle Outfitters, Inc. and serves as that company's lead independent director. He also serves as a director of C-III Capital Partners LLC and other private companies as well as several philanthropic organizations.

Adrian P. Kingshott has served as a director of the company since September 2, 2011. Mr. Kingshott has served as the chief executive officer of AdSon LLC since 2006 and senior advisor to Headwaters Merchant Bank since 2013. Previously, with Goldman Sachs, he served as co-head of the firm's Leveraged Finance business, among other positions. More recently, Mr. Kingshott was a managing director of Amaranth Advisors, LLC. He is an adjunct professor of Global Capital Markets at Fairfield University's Dolan School of Business; and an adjunct professor of Global Capital Markets and Investments at Fordham University's School of Business and the Gabelli School of Business. He holds a master of business administration degree from Harvard Business School and a master of jurisprudence degree from Oxford University. Mr. Kingshott is a member of the board of directors of Centre Lane Investment Corp.

James J. Martell has served as a director of the company since 2006. Mr. Martell has served as an independent operating executive with private equity companies, including Welsh, Carson, Anderson & Stowe, for companies in the transportation logistics sector and related industries since 2007. Previously, he was chief executive officer of SmartMail Services, Inc.; executive vice president of Americas for UTi Worldwide Inc.; and chief executive officer of Burlington Air Express Canada. Earlier, Mr. Martell held management positions with Federal Express Corporation and United Parcel Service, Inc. He currently serves as a director of Mobile Mini, Inc. and is a past chairman of the board of directors of Express-1 Expedited Solutions, Inc. (predecessor of XPO Logistics, Inc.). In the past five years, Mr. Martell was a director of 3PD, Inc., Priority Air Express, Mobil Storage Group, Unitrans and Vision Logistics Holding Corp. Mr. Martell is chairman of the board of MyUS.com, PS Logistics Inc. and ProTrans International. Additionally, Mr. Martell is a director of Ozburn-Hessey Logistics LLC and acts as executive chairman of Ameriflight LLC. He holds a degree in business administration from Michigan Technological University.

Jason D. Papastavrou, Ph.D., has served as a director of the company since September 2, 2011. Dr. Papastavrou is the founder and chief investment officer of ARIS Capital Management, LLC and is the cofounder of Empiric Asset Management, LLC. Previously, Dr. Papastavrou was the founder and managing director of the Fund of Hedge Funds Strategies Group of Banc of America Capital Management (BACAP), president of BACAP Alternative Advisors and a senior portfolio manager with Deutsche Asset Management. He was a tenured professor at Purdue University School of Industrial Engineering, and holds a doctorate in electrical engineering and computer science from the Massachusetts Institute of Technology. Dr. Papastavrou serves on the board of directors of United Rentals, Inc.

Oren G. Shaffer has served as a director of the company since September 2, 2011. From 2002 to 2007, Mr. Shaffer was vice chairman and chief financial officer of Qwest Communications International, Inc. (now CenturyLink, Inc.). Previously, Mr. Shaffer was president and chief operating officer of Sorrento Networks, Inc.; executive vice president and chief financial officer of Ameritech Corporation; and held senior executive positions with Goodyear Tire & Rubber Company, where he also served on the board of directors. Mr. Shaffer is a director on the board of Terex Corporation and the supervisory board of Terex Material Handling & Port Solutions. He has previously held board positions with Belgacom S.A., Demag Cranes AG and Intermec, Inc. He holds a master's degree in management from the Sloan School of Management, Massachusetts Institute of Technology, and a degree in finance and business administration from the University of California, Berkeley.

Our Nominating and Corporate Governance Committee and our Board believe that the experience, qualifications, attributes and skills of our directors provide us with the ability to address our evolving needs and represent the best interests of our stockholders. The Board considered the following factors when selecting and retaining the members of our Board:

Mr. Jacobs serves on the Board as a result of his position as chief executive officer of our company and as the managing member of our largest stockholder. Mr. Jacobs' particular qualifications as a director include his successful track record of leading companies executing a strategy similar to ours and his experience as the chairman of the board of public companies.

Mr. Andersen has served as the lead director of the board of directors of Terex Corporation and has served as a director of that company since 1992. Mr. Andersen's board experience and experience in global capital markets, mergers and acquisitions transactions and investment community concerns led our Board to conclude that he should serve as one of our directors.

Mr. Jesselson has served as a member of American Eagle Outfitter's board of directors since 1997 and has significant experience with public company corporate governance issues. Mr. Jesselson also provides investment expertise to our Board.

Mr. Kingshott has more than 25 years of experience in the investment banking and investment management industries, and has developed particular skills and expertise with respect to acquisition transactions, debt and equity financing and corporate financial management issues, all of which are important to our company's execution of its strategic plans.

Mr. Martell has served as a director of our company since 2006 and has significant experience with our company, its predecessor and the transportation logistics industry. Mr. Martell provides private equity and prior board experience to our Board.

Dr. Papastavrou has held senior positions at investment management firms and has the qualifications to be an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Dr. Papastavrou's experiences with finance and risk-related matters contribute to our Board's collective knowledge, capabilities and experience.

Mr. Shaffer has served as a director of Terex Corporation since 2007. He has senior financial and operations experience with various large companies. Mr. Shaffer's financial, strategic and operational experience led our Board to conclude that he should serve as one of our directors.

Role of the Board and Board Structure

Our business and affairs are managed under the direction of our Board, which is our company's ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board's primary responsibility is to seek to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, which is charged with the conduct of our business, monitors the performance of our company and management, and provides advice and counsel to management. In fulfilling the Board's responsibilities, directors have full access to our management, internal and external auditors and outside advisors.

The positions of Chairman of the Board and Chief Executive Officer are both currently held by Mr. Jacobs. Our Board has not appointed a lead director. Our Board believes that this leadership model is currently appropriate in light of the following factors: our directors are stockholder-oriented and focused on the best interests of our stockholders due to their significant ownership of our securities; our independent directors meet regularly, and at least annually, in executive sessions without management present; the dual roles enable decisive leadership and ensure clear accountability; and our Board believes the dual roles function well for our company based on our current strategy and ownership structure.

Our Board has not appointed a lead director to preside at the executive sessions of the company's independent directors. As set forth in the XPO Logistics, Inc. Corporate Governance Guidelines (the "Guidelines"), the presiding director for each executive session shall be rotated among the company's committee chairs. The Guidelines are available on the company's corporate website at www.xpo.com under the Investors tab.

Our Board held nine meetings during 2014. In 2014, each person serving as a director attended at least 75% of the total number of meetings of our Board and any Board committee on which he served, except for Mr. Kingshott, who, due to scheduling conflicts, was unable to attend certain meetings that were called on short notice. The Board also acted nine times during 2014 via unanimous written consent.

Our directors are expected to attend the annual meeting. Any director who is unable to attend the annual meeting is expected to notify the Chairman of the Board in advance of the annual meeting. Each person who was then serving as a director attended the 2014 annual meeting of stockholders, except Mr. Jesselson.

Board Risk Oversight

Management of the risks that we face in the conduct of our business is primarily the responsibility of our senior management team. However, our Board provides overall risk oversight with a focus on the most significant risks facing our company. Our senior management team periodically reviews with our Board any significant risks facing our company. Our Board has delegated responsibility for the oversight of specific risks to the committees of the Board as follows:

- *Audit Committee*. The Audit Committee oversees the policies that govern the process by which our exposure to risk is assessed and managed by management. In that role, the Audit Committee discusses with our management major financial risk exposures and the steps that management has taken to monitor and control these exposures. The Audit Committee also is responsible for reviewing risks arising from related party transactions involving our company and overseeing our company-wide Code of Business Conduct and Ethics and our Senior Officer Code of Business Conduct and Ethics.
- *Compensation Committee*. The Compensation Committee monitors the risks associated with our compensation philosophy and programs.
- *Nominating and Corporate Governance Committee*. The Nominating and Corporate Governance Committee oversees risks related to our governance structure and processes.
- *Acquisition Committee*. The Acquisition Committee oversees risks related to the execution of our acquisition strategy.

Our Board and Compensation Committee in consultation with our independent compensation consultant Semler Brossy Consulting Group, LLC ("Semler Brossy") have assessed the risks that could arise from our employee compensation policies and do not believe that such policies are reasonably likely to have a materially adverse effect on our company.

Committees of the Board and Committee Membership

Our Board has established four separately designated standing committees to assist our Board in discharging its responsibilities: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Acquisition Committee. Our Board may eliminate or create additional committees as it deems appropriate. The charters for our Board committees are in compliance with applicable SEC rules and the NYSE Listed Company Manual. These charters are available at www.xpo.com. You may obtain a printed copy of any of these charters by sending a request to: Investor Relations, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831.

Each committee of our Board is composed entirely of independent directors within all applicable standards (as further discussed below). Our Board's general policy is to review and approve committee assignments annually. The Nominating and Corporate Governance Committee is responsible, after consultation with our Chairman of the Board and Chief Executive Officer and consideration of appropriate member qualifications, to recommend to our Board for approval all committee assignments, including designations of the chairs. Each committee is also authorized to retain its own outside counsel and other advisors as it desires.

The following table sets forth the current membership of each of our Board's committees. The Audit Committee assignments have been in effect since September 2, 2011. The Acquisition Committee assignments have been in effect since January 16, 2012. The Compensation Committee and Nominating and Corporate Governance Committee assignments have been in effect since April 10, 2013.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Acquisition Committee
G. Chris Andersen		Chair		
Michael G. Jesselson	X		Chair	X
Adrian P. Kingshott	X		X	Chair
James J. Martell			X	
Jason D. Papastavrou	Chair	X		X
Oren G. Shaffer		X		

A brief summary of the committees' responsibilities follows:

Audit Committee. The Audit Committee assists our Board in fulfilling its responsibilities in a number of areas, including, without limitation, oversight of: (i) our accounting and financial reporting processes, including our systems of internal controls and disclosure controls, (ii) the integrity of our financial statements, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our outside auditors, (v) the performance of our outside auditors and internal audit function and (vi) related party transactions. Each member of the Audit Committee satisfies all applicable independence standards, has not participated in the preparation of our financial statements at any time during the past three years and is able to read and understand fundamental financial statements. The Audit Committee met five times during 2014 and acted twice via unanimous written consent.

Compensation Committee. The primary responsibilities of the Compensation Committee are, among other things: (i) to oversee the administration of our compensation programs, (ii) to review the compensation of our executive management and annual bonus compensation, (iii) to review company contributions to qualified and non-qualified plans and (iv) to prepare any report on executive compensation required by SEC rules and regulations. The Compensation Committee met eight times during 2014 and acted six times via unanimous written consent.

Nominating and Corporate Governance Committee. The primary responsibilities of the Nominating and Corporate Governance Committee are, among other things: (i) to identify individuals qualified to become Board members and recommend that our Board select such individuals to be presented for stockholder consideration at the annual meeting or to be appointed by the Board to fill a vacancy, (ii) to make recommendations to our Board concerning committee appointments, (iii) to develop, recommend to our Board and annually review the Guidelines and oversee corporate governance matters and (iv) to oversee an annual evaluation of our Board and committees. The Nominating and Corporate Governance Committee did not hold any meetings during 2014 and acted once via unanimous written consent.

Acquisition Committee. The Acquisition Committee is responsible for reviewing and approving acquisition, divestiture and related transactions proposed by our management in which the total consideration to be paid or received by us, for any particular transaction, does not exceed the limits that may be established by our Board from time to time. The Acquisition Committee met once during 2014.

Director Compensation

The following table sets forth information concerning the compensation of all persons who served as an outside director of our company during 2014.

2014 Director Compensation Table[1]

Name	Fees Earned or Paid in Cash ($)	Stock Awards[2] ($)	Option Awards[2] ($)	Total ($)
G. Chris Andersen[3]	$32,500	—	—	$32,500
Michael G. Jesselson[4]	$27,500	—	—	$27,500
Adrian P. Kingshott[4]	$27,500	—	—	$27,500
James J. Martell[5]	$20,000	—	—	$20,000
Jason D. Papastavrou[3]	$32,500	—	—	$32,500
Oren G. Shaffer[3]	$20,000	—	—	$20,000

(1) Compensation information for Mr. Jacobs, who is also a named executive officer of our company, is disclosed in this proxy statement under the heading "Executive Compensation—Compensation Tables."

(2) No equity awards to our outside directors were granted or vested in 2014. Accordingly, the "Director Compensation" table does not include (i) the 8,000 stock options and 2,500 RSUs granted in December 2013 to each non-employee director, which vested on January 2, 2015, or (ii) the 4,257 RSUs granted on January 2, 2015 to each non-employee director, which are scheduled to vest on January 2, 2016, subject to continued service as a director. The grants that vested on January 2, 2015 were for service as a director in 2014. The grant scheduled to vest on January 2, 2016 are for service as a director in 2015.

(3) As of December 31, 2014, each of Messrs. Andersen and Shaffer and Dr. Papastavrou held 24,000 stock options and 5,000 RSUs.

(4) As of December 31, 2014, each of Messrs. Jesselson and Kingshott held 24,000 stock options and 2,500 RSUs.

(5) As of December 31, 2014, Mr. Martell held 99,000 stock options and 5,000 RSUs.

The compensation of our directors is subject to the approval of our Board, which is based, in part, on the review and recommendation of the Compensation Committee. Directors who are employees of our company receive no compensation for service as members of either our Board or its committees.

Following the closing of the investment in our company pursuant to the Investment Agreement, our Board was reconstituted, and a new outside director compensation plan was developed and adopted by our Board, in consultation with our independent compensation consultant Semler Brossy and upon the recommendation of our

Compensation Committee. As adopted, the outside director compensation program provided for each non-employee director to receive a $20,000 annual cash retainer, payable quarterly in arrears, as well as annual grants of 8,000 stock options and 2,500 RSUs. Accordingly, on December 13, 2013, each non-employee director was granted 8,000 stock options and 2,500 RSUs, vesting on January 2, 2015.

In December 2014, in consultation with Semler Brossy and upon the recommendation of our Compensation Committee, our Board approved a revised outside director compensation program that, beginning in 2015, sets total compensation for non-employee directors at $225,000 per year, with $50,000 as an annual cash retainer, payable quarterly in arrears, and $175,000 payable in annual RSU grants. The RSUs issued under the revised outside director compensation program are granted on the first business day of each calendar year and vest on the first anniversary of the grant date. The number of RSUs granted to each outside director is determined by dividing $175,000 by the average of the closing prices of the company's common stock on the ten trading days immediately preceding the grant date. No equity awards to our outside directors were granted or vested in 2014. Accordingly, the "Director Compensation" table above does not include (i) the 8,000 stock options and 2,500 RSUs granted in December 2013 to each non-employee director, which vested on January 2, 2015, or (ii) the 4,257 RSUs granted on January 2, 2015 to each non-employee director, which are scheduled to vest on January 2, 2016, subject to continued service as a director. Unvested stock options and RSUs will be forfeited upon termination of service for any reason. Under our outside director compensation program, the chairpersons of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Acquisition Committee each receive an additional annual cash retainer of $12,500, $12,500, $7,500 and $7,500, respectively, payable quarterly in arrears. No other fees are paid to our directors for their attendance at or participation in meetings of our Board or its committees. We also reimburse our directors for expenses incurred in the performance of their duties, including reimbursement for air travel and hotel expenses.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee has been an officer or employee of our company. During our last completed fiscal year, none of our executive officers served as a member of the compensation committee of any entity that has one or more executive officers serving on our Compensation Committee.

Corporate Governance Guidelines and Codes of Ethics

Our Board is committed to sound corporate governance principles and practices. Our Board adopted the Guidelines on January 16, 2012 and adopted amendments on March 25, 2015. The Guidelines serve as a framework within which our Board conducts its operations. Among other things, the Guidelines include criteria for determining the qualifications and independence of the members of our Board, requirements for the standing committees of our Board, responsibilities for members of our Board and the annual evaluation of the effectiveness of our Board and its committees. The Nominating and Corporate Governance Committee of our Board is responsible to review the Guidelines annually, or more frequently as appropriate, and recommend to our Board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities and our company's evolving needs.

We have a Code of Business Conduct and Ethics that applies to all directors and employees, including our senior management team. In addition, our Board adopted the Senior Officer Code of Business Conduct and Ethics, which is applicable exclusively to our senior management team. These codes are designed to deter wrongdoing, to promote the honest and ethical conduct of all employees and to promote compliance with applicable governmental laws, rules and regulations. The Senior Officer Code of Business Conduct and Ethics constitutes a "code of ethics" as defined in Item 406(b) of Regulation S-K. We intend to satisfy the disclosure requirements under applicable SEC rules relating to amendments to the Senior Officer Code of Business Conduct and Ethics or waivers from any provision thereof applicable to our principal executive officer, our principal financial officer and principal accounting officer by posting such information on our website pursuant to SEC rules.

The Guidelines and our codes of ethics are available on our website at www.xpo.com. In addition, you may obtain a printed copy of the Guidelines and our codes of ethics, without charge, by sending a request to: Investor Relations, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831.

Director Independence

Under the Guidelines, our Board is responsible to make independence determinations annually with the assistance of the Nominating and Corporate Governance Committee. Such independence determinations are made by reference to the independence standard under the Guidelines and the definition of "independent director" under Section 303A.02 of the NYSE Listed Company Manual. Our Board has affirmatively determined that each person who served as a director during any part of 2014, except Mr. Jacobs, our Chairman of the Board and Chief Executive Officer, satisfies the independence standards under the Guidelines and the NYSE Listed Company Manual.

In addition to the independence standards provided in the Guidelines, our Board has determined that each director who serves on our Audit Committee satisfies standards established by the SEC providing that, in order to qualify as "independent" for the purposes of membership on that committee, members of audit committees may not (1) accept directly or indirectly any consulting, advisory or other compensatory fee from our company other than their director compensation or (2) be an affiliated person of our company or any of its subsidiaries. Our Board has also determined that each member of the Compensation Committee satisfies the NYSE standards for independence of Compensation Committee members, which became effective on July 1, 2013. Additionally, the Board has determined that each member of the Nominating and Corporate Governance Committee satisfies the NYSE standards for independence. In making the independence determinations for each director, our Board and the Nominating and Corporate Governance Committee analyzed certain relationships of the directors that were not required to be disclosed pursuant to Item 404(a) of Regulation S-K. For Mr. Martell, those relationships included (i) ordinary course commercial transactions between the company and entities in which Mr. Martell is either the chairman of the board or a director and (ii) from time to time, our company stores and delivers food for a charity associated with Mr. Martell. For Dr. Papastavrou, those relationships included ordinary course commercial transactions between our company and an entity for which Dr. Papastavrou is a director.

Director Selection Process

As provided in its charter, the Nominating and Corporate Governance Committee is responsible to recommend to our Board all nominees for election to the Board, including nominees for re-election to the Board, in each case after consultation with the Chairman of the Board and in accordance with our company's contractual obligations. Pursuant to the Investment Agreement, JPE has had and may in the future have the contractual right based on its securities ownership, as described above under "Directors," to designate for nomination by our Board a certain percentage of the members of our Board. Subject to the foregoing, in considering new nominees for election to our Board, the Nominating and Corporate Governance Committee considers, among other things, broad experience, financial expertise, wisdom, integrity, ability to make independent analytical inquiries, understanding of our company's business environment, relevant knowledge and experience in such areas as technology and marketing and other disciplines relevant to our company's businesses, the nominee's ownership interest in our company, and willingness and ability to devote adequate time to Board duties, all in the context of the needs of the Board at that point in time and with the objective of ensuring diversity in the background, experience, and viewpoints of Board members.

Subject to the contractual rights granted to JPE pursuant to the Investment Agreement, the Nominating and Corporate Governance Committee may identify potential nominees for election to our Board from a variety of sources, including recommendations from current directors or management, recommendations from our stockholders or any other source the committee deems appropriate.

Our Board will consider nominees submitted by our stockholders subject to the same factors as it considers nominees referred by other sources. Our stockholders can nominate candidates for election as directors by following the procedures set forth in our bylaws, which are summarized below. We did not receive any director nominees from our stockholders for the annual meeting.

Our bylaws require that a stockholder who wishes to nominate an individual for election as a director at our annual meeting must give us advance written notice. The notice must be delivered to or mailed and received by the Secretary of our company not less than 90 days or more than 180 days prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. As more specifically provided in our bylaws, any nomination must include (i) the nominator's name and address and the number of shares of each class of our capital stock that the nominator owns, (ii) the name and address of any person with whom the nominator is acting in concert and the number of shares of each class of our capital stock that any such person owns, (iii) the information with respect to each such proposed director nominee that would be required to be provided in a proxy statement prepared in accordance with applicable SEC rules and (iv) the consent of the proposed candidate to serve as a member of our Board.

Any stockholder who wishes to nominate a potential director candidate must follow the specific requirements set forth in our bylaws, a copy of which may be obtained by sending a request to: Secretary, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831.

Stockholder Communication with the Board

Stockholders and parties interested in communicating with our Board, any Board committee, any individual director or any group of directors (such as our independent directors) should send written correspondence to: Board of Directors c/o Secretary, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831. Please note that we will not forward communications that are spam, junk mail and mass mailings, resumes and other forms of job inquiries, surveys, business solicitations or advertisements.

Stockholder Proposals for Next Year's Annual Meeting

As more specifically provided in our bylaws, no business may be brought before an annual meeting of our stockholders unless it is specified in the notice of the annual meeting or is otherwise brought before the annual meeting by or at the direction of our Board or by a stockholder entitled to vote who has delivered proper notice to us not less than 90 days or more than 180 days prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. Accordingly, assuming that our 2016 annual meeting of stockholders is held on or after May 19, 2016, any stockholder proposal to be considered at the 2016 annual meeting, including nominations of persons for election to our Board, must be properly submitted to us not earlier than November 21, 2015 nor later than February 19, 2016. Detailed information for submitting stockholder proposals or nominations of director candidates will be provided upon written request to: Secretary, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831.

The foregoing requirements are separate from the SEC's requirements that a stockholder must meet in order to have a stockholder proposal included in our proxy statement for the 2016 annual meeting of stockholders. Stockholders interested in submitting a proposal for inclusion in our proxy materials for the 2016 annual meeting may do so by following the procedures set forth in Rule 14a-8 under the Exchange Act. To be eligible for inclusion in such proxy materials pursuant to such rule, stockholder proposals must be received by our Secretary not later than December 10, 2015.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Since January 1, 2014, we have not been a party to any transaction or series of similar transactions in which the amount exceeded or will exceed $120,000 and in which any current director, executive officer, holder of more than five percent of our capital stock, or any member of the immediate family of the foregoing, had or will have a material interest.

Under its written charter, the Audit Committee of our Board is responsible to review and approve or ratify any transaction between our company and a related person, as defined in Item 404 of Regulation S-K, that is required to be disclosed under the rules and regulations of the SEC. Our management is responsible for bringing any such transaction to the attention of the Audit Committee. In approving or rejecting any such transaction, the Audit Committee considers the relevant facts and circumstances, including the material terms of the transaction, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of our voting securities as of April 2, 2015 by (i) each person who is known by us, based solely on a review of public filings, to be the beneficial owner of more than 5% of any class of our outstanding voting securities, (ii) each director, (iii) each named executive officer identified in the "Summary Compensation" table and (iv) all executive officers and directors as a group. None of the foregoing persons beneficially owned any shares of equity securities of our subsidiaries as of April 2, 2015.

Under applicable SEC rules, a person is deemed to be the "beneficial owner" of a voting security if such person has (or shares) either investment power or voting power over such security or has (or shares) the right to acquire such security within 60 days by any of a number of means, including upon the exercise of options or warrants or the conversion of convertible securities. A beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by the beneficial owner, but not those held by any other person, and which are exercisable or convertible within 60 days, have been exercised or converted.

Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all voting securities shown as being owned by them. Unless otherwise indicated, the address of each beneficial owner in the table below is care of XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Class Outstanding (1)	Shares of Preferred Stock Beneficially Owned (2)	Percentage of Class Outstanding
Beneficial Ownership of 5% or more				
Jacobs Private Equity, LLC	19,285,714(3)	19.5%	67,500	92.0%
Public Sector Pension Investment Board(4) 1250 René-Lévesque Blvd. West, Suite 900, Montreal, QC H3B 4W8	11,415,524	14.4%	—	—
Coral Blue Investment Pte. Ltd.(5) 168 Robinson Road #37-01, Capital Tower, Singapore 068912	8,153,946	10.3%	—	—
FMR, LLC (6) 245 Summer Street Boston, MA 02210	4,867,871	6.1%	—	—
Directors:				
G. Chris Andersen	102,927(7)	*	250	*
Michael G. Jesselson	330,965(8)	*	725(9)	1.0%
Adrian P. Kingshott	117,214(10)	*	300	*
James J. Martell	362,282(11)	*	725	1.0%
Jason D. Papastavrou	226,089(12)	*	650(13)	*
Oren G. Shaffer	50,000(14)	*	—	—
Named Executive Officers:				
Bradley S. Jacobs+(15)	19,517,475	19.7%	67,500	92.0%
John J. Hardig	81,660(16)	*	—	—
Troy A. Cooper	93,213(17)	*	—	—
Gordon E. Devens	105,000(18)	*	—	—
Scott B. Malat	61,749(19)	*	—	—
Executive Officers and Directors as a Group (12 People)	21,170,775(20)	21.1%	70,150	95.7%

* Less than 1%

\+ Director and Executive Officer

(1) For purposes of this column, the number of shares of the class outstanding reflects the sum of (i) 79,659,071 shares of our common stock that were outstanding as of April 2, 2015, (ii) the number of shares of our

common stock into which the outstanding shares of our preferred stock held by the relevant person, if any, were convertible on April 2, 2015, and (iii) the number of shares of our common stock, if any, which the relevant person could acquire on exercise of options or warrants on or before June 1, 2015.

(2) Each share of our preferred stock that was outstanding on April 2, 2015 has an initial liquidation preference of $1,000 per share and is convertible into approximately 143 shares of our common stock at an effective conversion price of $7.00 per share of our common stock. Our preferred stock votes together as a single class with our common stock on an as-converted basis, except with respect to certain matters that impact the rights of holders of our preferred stock, in which case our preferred stock votes separately as a single class.

(3) Consists of 9,642,857 shares of our common stock issuable upon the exercise of 9,642,857 warrants at an exercise price of $7.00 per share of common stock, and 9,642,857 shares of our common stock issuable upon conversion of 67,500 shares of our preferred stock.

(4) By Schedule 13G, filed January 8, 2015, filed by Public Sector Pension Investment Board, which reported that, as of December 31, 2014, Public Sector Pension Investment Board beneficially owned 11,415,524 shares with sole voting and sole dispositive power over such shares.

(5) By Schedule 13G/A, filed January 2, 2015, filed by Coral Blue Investment Pte. Ltd. and GIC Private Limited, which reported that, as of December 31, 2014, Coral Blue Investment Pte. Ltd. beneficially owned 8,153,946 shares of common stock. GIC Private Limited shares voting and dispositive power over such shares of common stock held by Coral Blue Investment Pte. Ltd.

(6) Based on information contained in a Schedule 13G filed by FMR LLC, Edward C. Johnson 3d and Abigail P. Johnson on February 13, 2015, Edward C. Johnson 3d, Chairman of FMR LLC, Abigail P. Johnson, Vice Chairman, Chief Executive Officer and President of FMR LLC, and FMR LLC have sole voting power over 337,281 shares and sole dispositive power over 4,867,871 shares owned directly by various investment companies advised by Fidelity Management & Research Company ("Fidelity"), a wholly owned subsidiary of FMR LLC. The filing further states that (i) members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC; (ii) the Johnson family group and all other Series B shareholders of FMR LLC have entered into a shareholders' voting agreement under which all Series B voting common shares of FMR LLC will be voted in accordance with the majority vote of Series B voting common shares of FMR LLC and that, accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC; and (iii) neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Fidelity Funds' Boards of Trustees, and that Fidelity carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees.

(7) Includes (i) 35,713 shares of our common stock issuable upon the exercise of 35,713 warrants at an exercise price of $7.00 per share of common stock, (ii) 35,713 shares of our common stock issuable upon conversion of 250 shares of our preferred stock, (iii) 24,000 shares of our common stock issuable upon the exercise of options and (iv) 2,500 vested RSUs that are or will become exercisable on or before June 1, 2015.

(8) Includes (i) 12,000 shares of our common stock beneficially owned by the Michael G. Jesselson and Linda Jesselson 3/12/84 Trust, of which Mr. Jesselson is a trustee, (ii) 12,000 shares of our common stock beneficially owned by the Michael G. Jesselson and Linda Jesselson 11/26/85 Trust, of which Mr. Jesselson is a trustee, (iii) 12,000 shares of our common stock beneficially owned by the Michael G. Jesselson and Linda Jesselson 3/31/87 Trust, of which Mr. Jesselson is a trustee, (iv) 10,000 shares of our common stock beneficially owned by the Michael G. Jesselson and Linda Jesselson 6/30/93 Trust, of which Mr. Jesselson is a trustee, (v) 10,000 shares of our common stock owned by Mr. Jesselson's spouse, (vi) 103,572 shares of our common stock issuable upon the exercise of 103,572 warrants at an exercise price of $7.00 per share of our common stock, which warrants are beneficially owned by the Michael G. Jesselson 12/18/80 Trust and the Michael G. Jesselson 4/8/71 Trust, of which trusts Mr. Jesselson is the beneficiary, (vii) 21,322 shares of our common stock issuable upon the exercise of 21,322 warrants at an exercise price of $7.00 per share of our common stock, which warrants are beneficially owned by the Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, of which Mr. Jesselson is the beneficiary,

(viii) 103,570 shares of our common stock issuable upon conversion of 725 shares of our preferred stock, which shares of our preferred stock are beneficially owned by the Michael G. Jesselson 12/18/80 Trust and the Michael G. Jesselson 4/8/71 Trust, of which trusts Mr. Jesselson is the beneficiary, and (ix) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(9) See clause (viii) of footnote (8).

(10) Includes (i) 42,857 shares of our common stock issuable upon the exercise of 42,857 warrants at an exercise price of $7.00 per share of our common stock, (ii) 42,857 shares of our common stock issuable upon conversion of 300 shares of our preferred stock and (iii) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(11) Includes (i) 103,572 shares of our common stock issuable upon the exercise of 103,572 warrants at an exercise price of $7.00 per share of our common stock, (ii) 103,571 shares of our common stock issuable upon conversion of 725 shares of our preferred stock, (iii) 99,000 shares of our common stock issuable upon the exercise of options and (iv) 5,000 vested RSUs that are or will become exercisable on or before June 1, 2015.

(12) Includes (i) 1,375 shares of our common stock beneficially owned by the Brett A. Athans Declaration of Trust, of which Dr. Papastavrou is the trustee, (ii) 92,857 shares of our common stock issuable upon the exercise of 92,857 warrants at an exercise price of $7.00 per share of our common stock, which warrants are beneficially owned by Springer Wealth Management LLC, of which Dr. Papastavrou is the owner of 100% of the equity securities, (iii) 92,857 shares of our common stock issuable upon conversion of 650 shares of our preferred stock, which shares of preferred stock are beneficially owned by Springer Wealth Management LLC, of which Dr. Papastavrou is the owner of 100% of the equity securities, (iv) 24,000 shares of our common stock issuable upon the exercise of options and (v) 5,000 vested RSUs that are or will become exercisable on or before June 1, 2015.

(13) See clause (iii) of footnote (12).

(14) Includes (i) 8,500 shares of our common stock issuable upon the exercise of 8,500 warrants at an exercise price of $7.00 per share of common stock, (ii) 24,000 shares of our common stock issuable upon the exercise of options and (iii) 5,000 vested RSUs that are or will become exercisable on or before June 1, 2015.

(15) Mr. Jacobs has indirect beneficial ownership of the shares of our common stock and our preferred stock beneficially owned by JPE as a result of being its Managing Member. See footnote (3). Also includes 150,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(16) Includes 30,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(17) Includes (i) 10,000 shares of common stock issuable upon the exercise of 10,000 warrants at an exercise price of $7.00 per share of common stock and (ii) 15,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(18) Includes (i) 20,000 shares of our common stock issuable upon the exercise of 20,000 warrants at an exercise price of $7.00 per share of common stock and (ii) 75,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(19) Includes (i) 12,750 shares of our common stock issuable upon the exercise of 12,750 warrants at an exercise price of $7.00 per share of common stock and (ii) 15,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on or before June 1, 2015.

(20) Includes (i) 10,094,000 shares of our common stock issuable upon the exercise of 10,094,000 warrants at an exercise price of $7.00 per share of our common stock, (ii) 10,021,425 shares of our common stock issuable upon conversion of 70,150 shares of our preferred stock, (iii) 585,000 shares of our common stock issuable upon the exercise of options and (iv) 17,500 vested RSUs that are or will become exercisable on or before June 1, 2015.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC and the NYSE. Officers, directors and greater than ten-percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to us, or written representations that no Forms 5 were required, we believe that during 2014, our officers, directors and greater than ten-percent beneficial owners complied with all applicable Section 16(a) filing requirements.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

Our executive officer compensation programs are administered by the Compensation Committee of our Board (referred to as the "Committee" in this section). Currently, the Committee consists of Mr. Andersen (chair), Dr. Papastavrou, and Mr. Shaffer. The primary purposes of the Committee are, among other things:

(i) To assist our Board in fulfilling its responsibilities related to the compensation of the Chief Executive Officer and the other executive officers of our company,

(ii) To oversee the administration of our company's compensation plans, in particular our incentive compensation and equity-based plans, and

(iii) To review and make recommendations to our Board concerning director compensation.

For the fiscal year ended December 31, 2014, our named executive officers (NEOs) were:

NEO	Title
Bradley S. Jacobs	Chairman and Chief Executive Officer
John J. Hardig	Chief Financial Officer
Troy A. Cooper	Chief Operating Officer
Gordon E. Devens	Senior Vice President, General Counsel and Secretary
Scott B. Malat	Chief Strategy Officer

In 2014, our leadership team continued to build our company into a leading asset-light provider of third-party logistics services and supply chain solutions. As a result of the effective execution of our strategy, by the end of 2014, our company was the third largest freight brokerage firm in North America, the largest provider of last-mile logistics for heavy goods, the largest manager of expedited shipments, the third largest provider of intermodal services, and a leading provider of highly engineered, technology-enabled contract logistics. Our company achieved many key milestones during 2014, including the following:

- Tripled its annual revenue run rate year-over-year to more than $3.0 billion as of December 31, including 45% organic growth;
- Exceeded its target annual run rate for earnings before interest, taxes, depreciation and amortization ("EBITDA") of approximately $150.0 million at year-end;
- Completed three strategic acquisitions: Pacer International, Inc., Simply Logistics Inc d/b/a Atlantic Central Logistics (ACL) and New Breed Holding Company;
- Opened truck brokerage cold-starts in Kansas City, Missouri; Denver, Colorado; and Nashville, Tennessee;
- Grew its truck brokerage cold-starts to an annual revenue run rate of more than $270 million;
- Increased over-the-road capacity to more than 4,100 trucks under contract to its drayage, expedited and last mile subsidiaries, with additional relationships with over 30,000 other carriers as of December 31, 2014;
- Increased critical mass to 197 locations and over 10,000 employees as of December 31, 2014;
- Rebranded its Express-1 expedited transportation business as XPO Express, and rebranded its 3PD, Optima and ACL last mile businesses as XPO Last Mile;
- Integrated its expedited transportation operations – XPO Express, XPO NLM, XPO Air Charter and Gainesville, Georgia operations – as one expedited group to serve customers more synergistically; and

- Developed a state-of-the-art, proprietary Rail Optimizer technology platform for its intermodal operations and moved it into BETA test.

Philosophy and Objectives of Our Executive Compensation Program

Our philosophy on executive compensation is to align the interests of our executive management with the interests of our stockholders and to ensure that the total compensation paid to our executive officers is reasonable and competitive. The three key objectives of our executive compensation program are:

Objective	Detail
1) Align executive compensation with stockholder value	Within our overall compensation strategy, we utilize long-term equity-based compensation and annual cash incentives to align the financial interests and objectives of our NEOs with those of our stockholders.
2) Retain and motivate high-performing executive talent	We operate in a highly competitive employment environment. We are very focused on retaining and motivating our executive officers, which we believe is essential to achieving our growth goals. Our most recent NEO compensation and incentive actions have been designed to maximize retention and sustain a unified focus on the execution of our long-term strategy. During 2014, in connection with performance-based equity grants and the payment of annual cash bonuses, each of our NEOs agreed to lock-up restrictions that generally prohibit sales of any equity awarded to such NEO as compensation from our company until at least September 2, 2016. As a result of these lock-up agreements, each of our NEOs holds restricted shares, time-based restricted stock units and restricted stock options that are or will be vested as of September 2, 2016, assuming continued employment by our company, that presently have a value at least 12 times greater than such NEO's 2015 annual base salary. We believe these lock-up agreements create compelling incentives for retention and motivation of our NEOs.
3) Correlate pay to performance	Our compensation program is designed to provide a strong correlation between the performance of our NEOs and the compensation they receive. We accomplish this by including compensation elements that are heavily weighted towards variable compensation (such as annual cash incentives) and equity incentives (such as performance-based restricted stock units). We believe that this approach improves alignment between value earned by executives and stockholder return. As described in further detail below, the most recent equity grants to our NEOs have been subject to the achievement of significant performance goals, including the price of a share of our company's common stock trading at or above $60.00 for 20 consecutive trading days prior to April 2, 2018 and the company's fiscal year 2017 adjusted cash earnings per share being at least $2.50. We believe that the significant performance hurdles we connect to the equity grants to our NEOs mitigate any risk associated with our NEO compensation program.

2014 Say on Pay Vote

We sought an advisory vote from our stockholders regarding our executive compensation program in 2014. More than 94% of votes cast supported the resolution. The Committee considers the results of the advisory vote as it completes its annual review of the pay program and the compensation packages provided to our NEOs. The company communicates directly and frequently with stockholders about business strategy and these conversations often include discussions of executive compensation and the alignment of the senior executive team with stockholders. The Committee will continue to consider the outcome of "say on pay" votes and our stockholders' input when making future compensation decisions regarding our NEOs.

Process for Determining Executive Compensation

The Committee believes that its relative emphasis on variable annual cash incentives and long-term equity awards allows it to retain significant flexibility and discretion from year to year in order to motivate strong continuing effort by our NEOs. Specifically, the total compensation package for each of our NEOs reflects assessments of individual responsibilities, contributions to corporate performance and overall company success in reaching strategic goals. The general framework for our compensation packages includes fixed base salaries negotiated at the time the NEO is hired or promoted and variable incentive compensation consisting of annual cash incentives and equity grants that emphasize pay for performance and, in the case of equity grants, achievement of long-term performance goals. The Committee has tended to heavily weight our NEOs' compensation toward variable incentive compensation rather than base salary. This approach is reflected in the "Summary Compensation" table below, which shows that in 2014 our NEOs' base salaries represented the following approximate percentages of their total compensation: Mr. Jacobs, 13%; Mr. Hardig, 23%; Mr. Cooper, 17%; Mr. Devens, 18%; and Mr. Malat, 15%.

Role of Compensation Committee

The Committee is responsible for administering our company's executive compensation program in a manner consistent with our compensation philosophy. The Committee is tasked with setting performance goals for NEOs and reviewing all other compensation and benefits for NEOs on an ongoing basis. The Committee acts independently, but works closely with our full board and executive management in making many of its decisions. To assist it in discharging its responsibilities, the Committee has retained the services of Semler Brossy, as discussed further below.

Role of Management

Executive management and the Committee work together to establish, review and evaluate compensation packages and policies. Executive management provides input into the design of our pay program and, in particular, Mr. Jacobs provides recommendations as to proposed compensation actions with respect to our executive team, other than with respect to his own compensation. However, the Committee carefully and independently reviews the recommendations of management, without members of management present, before making its final determination. We believe this process ensures that our executive compensation program effectively aligns with our compensation philosophy and stockholder interests.

Role of Independent Compensation Consultant

The Committee directly retained Semler Brossy as its independent advisor. Semler Brossy has supported the Committee in: reviewing the reasonableness of the compensation packages and long-term incentive grants for the NEOs and our other senior officers; reviewing this Compensation Discussion and Analysis and the related tables and narratives; structuring the performance-based equity awards to executives; evaluating our non-employee director compensation program; and providing general advice and support to the Committee and Committee Chair. Semler Brossy does not provide any other services to the Committee or the company.

After taking into account Semler Brossy's (i) absence of relationships with management and the members of the Committee, (ii) internal policies and (iii) other information provided, the Committee determined that Semler Brossy is independent and that its role did not raise any conflicts of interest.

Comparative Analysis

With the assistance of Semler Brossy, the Committee designated a peer group to support compensation decisions. Given the recent significant increase in the size and scale of our company, we expanded the peer group in 2014 to include some of the larger companies in the logistics and distribution or trucking industries. The peers represent most of our publicly-traded competitors and are a reasonable group of comparators given the current size and expected growth rate of XPO.

While we monitor the structure of our peers' pay programs, the Committee does not target a specific percentile positioning against the peer group. Also, the Committee does not target a specific mix between cash and equity or short- and long-term compensation. The peer group consists of the following logistics and distribution or trucking companies:

2014 Peer Group

ArcBest Corporation	J.B. Hunt Transport Services Inc.	Ryder System, Inc.
C.H. Robinson Worldwide, Inc.	Landstar System, Inc.	Swift Transportation, Co
Con-way Inc.	Old Dominion Freight Line, Inc.	Universal Truckload Services, Inc.
Expeditors International	Park-Ohio Holdings Corp.	UTi Worldwide, Inc.
Hub Group, Inc.	Roadrunner Transportation Systems, Inc.	YRC Worldwide, Inc.

Note: Pacer International, Inc. was removed from the peer group following its acquisition by our company on March 31, 2014. Echo Global Logistics, Inc. and Forward Air Corporation were removed due to the Committee's preference to include companies with larger annual revenues in light of our company's significant growth.

Principal Components of Compensation

Base Salary

Base salaries provide our NEOs with fixed cash compensation for service during the year, with consideration given to the scope of each NEO's responsibilities, experience and other qualifications essential to his role. In light of the Committee's relative emphasis on variable incentive compensation rather than base salary, our NEOs' base salaries have not been increased since their hire dates, except in the case of promotion and change of job responsibilities.

2014 Compensation Decisions: Annual base salaries for our NEOs initially were set in accordance with their respective employment agreements entered into in 2011 and 2012. Other than the increase in Mr. Cooper's annual base salary to $350,000 upon his promotion to Chief Operating Officer on May 19, 2014, none of our NEOs' base salaries were increased during 2014. Accordingly, annual base salary rates as of December 31, 2014 were as follows:

NEO	2014 Base Salary
Bradley S. Jacobs	$495,000
John J. Hardig	$395,000
Troy A. Cooper	$350,000
Gordon E. Devens	$300,000
Scott B. Malat	$300,000

Annual Cash Incentive Bonuses

Our annual cash incentive bonus program is designed to motivate our NEOs to meet and exceed our annual operating and financial goals. The Committee establishes the specific performance goals for our NEOs and determines achievement against the goals. The goals were determined to be challenging and require significant performance.

Pursuant to the terms of the employment agreements, each of our NEOs, other than Mr. Jacobs and Mr. Devens, is eligible to receive an annual cash incentive bonus of as much as 100% of his annual base salary, subject to the achievement of specified performance goals as determined by the Committee. Although Mr. Jacobs is eligible to receive a performance-based annual cash incentive award, his target award is not specified in his employment agreement and is determined by the Committee in its discretion. However, Mr. Jacobs' award is typically aligned with the NEOs' annual award. Mr. Devens is eligible to receive an annual cash incentive bonus targeted between 40% to 100% of his annual base salary, as determined by the Committee.

2014 Compensation Decisions: In March 2014, the Committee established for each person then serving as an executive officer of the company a target annual cash incentive award for 2014 (the "2014 Cash Incentive Awards") under the terms of our Amended and Restated 2011 Omnibus Incentive Compensation Plan (the "2011 Plan"), which was approved by our stockholders at the 2012 annual meeting of stockholders on May 31, 2012. The 2014 Cash Incentive Awards were designed with the goal that annual cash performance bonuses payable to our executive officers would not be subject to tax-deductibility limitations pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to the terms of the 2014 Cash Incentive Awards, the Committee set specific annual performance goals and established an objective formula for calculating the amount of the target awards for participants. The performance goal adopted by the Committee under the 2014 Cash Incentive Awards was defined as our company's revenue for fiscal year 2014 exceeding our company's revenue for fiscal year 2013, which was $702.3 million. The following table sets forth the target awards established by the Committee under the 2014 Cash Incentive Awards, expressed as a percentage of salary and as a dollar amount, for each NEO:

NEO	Target Award (expressed as a percentage of current base salary)	Target Award (expressed as a dollar amount)
Bradley S. Jacobs	100%	$495,000
John J. Hardig	100%	$395,000
Troy A. Cooper	100%	$350,000
Gordon E. Devens	100%	$300,000
Scott B. Malat	100%	$300,000

In the event that the performance goal under the 2014 Cash Incentive Awards is satisfied, the Committee is responsible to determine the bonus award payable to a participant based on the achievement of individual or organizational goals, as determined by the Committee in its sole discretion. The Committee retains absolute "negative discretion" to eliminate or reduce the amount of any award under the 2014 Cash Incentive Awards. Further, the 2014 Cash Incentive Awards may be greater than the target award, subject to the individual maximum award limitation provided in the 2011 Plan. The Committee certified that the performance target under the 2014 Cash Incentive Awards was achieved based on our company's revenue of $2.357 billion in fiscal year 2014, which exceeded 2013 revenue.

The Committee, in close consultation with our CEO (except with respect to his own performance assessment), conducted a performance assessment of each executive officer. The CEO's executive officer performance assessment recommendations were based on an overall subjective assessment of each officer's performance and contribution to our company's achievement of its strategic objectives. The Committee conducted a separate assessment of Mr. Jacobs' performance without his involvement.

With respect to 2014 cash incentive decisions, the Committee took an integrated approach, assessing our company's results together with each officer's individual performance contributions. For 2014, the Committee determined that our company accomplished and exceeded its key strategic objectives for the year, as outlined above in the "Overview" section of this Compensation Discussion and Analysis section. Under the leadership and guidance of our NEOs, in 2014: (i) we completed three significant acquisitions, (ii) we established three cold-starts and (iii) we continued to optimize our existing operations. Our company exceeded our publicly announced performance goals for 2014. Each of the NEOs was determined to have contributed significantly to the company's achievements during 2014. In determining 2014 cash bonus payouts for the NEOs, the Committee's goal was to recognize and reward the NEOs' performance while also awarding cash bonus amounts that had the effect of relatively balancing total cash compensation across the group of NEOs, with consideration to each NEO's job responsibilities and position. Accordingly, differences in the award payouts to the NEOs, as compared to the target awards, do not reflect a determination by the Committee of the relative performance of any single NEO.

As a result of the above-described performance assessments, and taking into account the indicated total cash compensation payable to each NEO, the Committee approved the following bonus payouts to our NEOs for 2014:

NEO	Award Payout	Aggregate 2014 Base Salary and Cash Bonus [(1)]
Bradley S. Jacobs Chairman and Chief Executive Officer	$585,000	$1,080,000
John J. Hardig Chief Financial Officer	$435,000	$ 830,000
Troy A. Cooper Chief Operating Officer	$475,000	$ 825,000
Gordon E. Devens Senior Vice President, General Counsel and Secretary	$475,000	$ 775,000
Scott B. Malat Chief Strategy Officer	$475,000	$ 775,000

(1) Consists of 2014 Cash Incentive Award payout and annual base salary as of December 31, 2014.

2015 Compensation Decisions: In February 2015, the Committee established for each person then serving as an executive officer of the company a target annual cash incentive award for 2015 (the "2015 Cash Incentive Awards") under the terms of our 2011 Plan. The 2015 Cash Incentive Awards are designed with the goal that annual cash performance bonuses payable to our executive officers will not be subject to tax-deductibility limitations pursuant to Section 162(m) of the Code. Pursuant to the terms of the 2015 Cash Incentive Awards, the Committee set specific annual performance goals and established an objective formula for calculating the amount of the target awards for participants. The performance goal adopted by the Committee under the 2015 Cash Incentive Awards was defined as our company achieving an annual run rate of EBITDA during the second half of 2015 of at least $300 million. The following table sets forth the target awards established by the Committee under the 2015 Cash Incentive Awards, expressed as a percentage of salary and as a dollar amount, for each NEO:

NEO	Target Award (expressed as a percentage of current base salary)	Target Award (expressed as a dollar amount)
Bradley S. Jacobs	100%	$495,000
John J. Hardig	100%	$395,000
Troy A. Cooper	100%	$350,000
Gordon E. Devens	100%	$300,000
Scott B. Malat	100%	$300,000

In the event that the performance goal under the 2015 Cash Incentive Awards is satisfied, the Committee is responsible for determining the bonus award payable to a participant based on the achievement of individual or organizational goals, as determined by the Committee in its sole discretion. The Committee retains absolute "negative discretion" to eliminate or reduce the amount of any award under the 2015 Cash Incentive Awards. Further, the 2015 Cash Incentive Awards may be greater than the target award, subject to the individual maximum award limitation provided in the 2011 Plan.

Long-Term Incentive Program

Our NEOs may be awarded equity at the discretion of the Committee under the 2011 Plan. Equity awards are intended to further align the interests of our NEOs with the interests of our stockholders and emphasize long-term performance. Equity awards made to our NEOs generally are subject to holding requirements and achievement of long-term performance goals in order to maximize alignment of our NEOs' interests with the interests of our stockholders.

2014 Compensation Decisions: We do not have a formal annual equity incentive grant program. However, the Committee, after consultation with our CEO (except as relates to our CEO's compensation), determined that it would be advisable to make performance-based equity grants to our leadership team to maximize retention and incentivize a unified focus on execution of our long-term strategy. Accordingly, as part of a multi-faceted program that included the 2013 cash bonus payouts and equity lock-up agreements, on March 14, 2014, the committee granted performance-based restricted stock units ("PRSU") awards to each of our NEOs as follows:

NEO	Targeted Award of PRSUs (expressed as a dollar amount) (1)	Targeted Award of PRSUs (expressed as a number of shares)
Bradley S. Jacobs	$4,700,000	150,593
John J. Hardig	$1,400,000	44,857
Troy A. Cooper	$1,250,000	40,051
Gordon E. Devens	$1,500,000	48,062
Scott B. Malat	$1,800,000	57,674

(1) The amounts above are the targeted value of the PRSU awards. The values of stock awards shown in the "Summary Compensation" table and other required tables below reflect the grant date fair value determined in accordance with the Financial Accounting Standards Board's Accounting Standard Codification Topic 718, "*Compensation—Stock Compensation*" ("ASC 718").

These PRSUs will vest if both of the following conditions occur: the company's common stock trades at or above $60.00 per share for 20 consecutive trading days prior to April 2, 2018 and the company's fiscal year 2017 adjusted cash earnings per share are at least $2.50. We believe both conditions are substantially challenging. The stock price hurdle of $60 per share represents a 92% premium to the stock price on the date of grant. The targeted award values were determined with reference to the NEO's contributions to our company to date, his anticipated contribution to the achievement of our strategic objectives in the future, and prior equity awards granted to the NEO. No particular weighting was assigned to any of these considerations. The dollar values of the targeted awards were converted to PRSUs based on the share price on the award grant date rather than the grant date fair value for accounting purposes, which is lower due to the performance goals and resale restrictions. In granting the PRSUs, the Committee also determined that the structure of the grants, with achievement of the earnings-based performance goal not possible until after the end of 2017, provided an important retentive element and increased long-term focus for our NEOs.

In addition to the foregoing grants during 2014, in recognition of his performance and as an incremental retention incentive, the Committee awarded Mr. Malat an additional grant of 3,204 time-based restricted stock units that vest in full on June 30, 2015, subject to his continued employment on such date. Also, on

June 30, 2014, in recognition of his performance and in connection with his promotion to Chief Operating Officer, the Committee awarded Mr. Cooper an additional grant of 25,000 PRSUs, subject to the same performance conditions discussed in the immediately preceding paragraph.

In connection with the foregoing equity grants, each NEO agreed to lock-up provisions that restrict the sale of any shares of the company's common stock issued under any options or restricted stock units, including PRSUs, before September 2, 2016, subject to certain exceptions. Additional details regarding these PRSUs and the equity lock-up agreements can be found in the Form 8-K filed on March 20, 2014 (the "March 20 8-K").

2015 Compensation Decisions: In February 2015, the Committee determined that it would be advisable to make performance-based equity grants to our leadership team to continue to foster retention and create a unified focus on execution of our long-term strategy. The Committee granted PRSU awards to each of our NEOs as follows:

NEO	Targeted Award of PRSUs (expressed as a dollar amount) [1]	Targeted Award of PRSUs (expressed as a number of shares)
Bradley S. Jacobs	$4,500,000	102,436
John J. Hardig	$ 750,000	17,073
Troy A. Cooper	$ 750,000	17,073
Gordon E. Devens	$ 750,000	17,073
Scott B. Malat	$ 750,000	17,073

(1) The amounts above are the targeted value of the PRSU awards. The values of stock awards shown in the "Summary Compensation" table and other required tables below reflect the grant date fair value determined in accordance with ASC 718.

These PRSUs are subject to the same performance conditions that are applicable to the 2014 PRSU grants (*i.e.*, the company's common stock trades at or above $60.00 per share for 20 consecutive trading days prior to April 2, 2018 and the company's fiscal year 2017 adjusted cash earnings per share are at least $2.50). The targeted award values were determined with reference to the NEO's contributions to our company to date and his anticipated contribution to the achievement of our strategic objectives in the future. In determining the number of PRSUs granted to each NEO in 2015, the Committee also considered the NEO's total annual compensation during 2015 as compared to 2014 and the relative weighting of cash and equity compensation in each year. No particular weighting was assigned to any of these considerations.

The vesting of the 2014 and 2015 awards may, in certain circumstances, be accelerated, including prorated acceleration in the event of a termination without cause or for good reason (each, as defined in the applicable PRSU grant agreement). Under the PRSU grant agreements, in the event that any benefits due or amounts payable to a grantee in connection with a change of control (whether or not pursuant to the PRSU grant agreement) constitute "parachute payments" within the meaning of Section 280G of the Code, then any such amounts will be reduced to avoid triggering the excise tax imposed by Section 4999 of the Code, if it would be more favorable to the grantee on a net after-tax basis. None of our NEOs is entitled to a gross-up payment for excise taxes imposed by Section 4999 of the Code on "excess parachute payments," as defined in Section 280G of the Code.

Equity Granting Policy

All equity grants to executive officers are approved by the Committee with a grant date determined at the time of the approval. The Committee does not target a specific time during the year to make equity grants, but equity grant dates are always on or after the date of Committee approval and in full compliance with applicable laws.

Benefits

Our NEOs are provided with benefits, including participation in the XPO Logistics, Inc. 401(k) Plan and insurance benefit programs that are offered to other eligible employees. In addition, our NEOs are entitled to reimbursement of ordinary business expenses. Other than the foregoing and the amounts set forth in the "All Other Compensation" table below, NEOs are not entitled to any additional perquisites.

Other Compensation-Related Items

Employment Agreements

We entered into an employment agreement with each of our NEOs at the time of engagement. Each employment agreement has a term through September 2, 2016, except Mr. Cooper's employment agreement which has a term through March 14, 2018, and expires at the end of the term without automatic renewal. We believe that it is in the best interests of our company to enter into multi-year employment agreements with our executive officers, because the agreements provide an incentive for long-term retention, while still allowing the Committee to exercise discretion in designing incentive compensation programs. The material compensation-related terms of these agreements are discussed in the tables that follow this Compensation Discussion and Analysis and the narratives that follow such tables, and each agreement has been filed with the SEC and is available on our website and on the SEC's website.

We also entered into amended and restated employment agreements on March 14, 2014 with certain of our executive officers, including Messrs. Cooper and Devens. Details of the amended and restated employment agreement can be found in the March 20 8-K for Mr. Devens and in the Form 8-K filed on May 20, 2014 for Mr. Cooper, and details of the amended and restated agreements for each of Messrs. Cooper and Devens can be found elsewhere in this proxy statement. The principal purpose of the employment agreement amendments was to make the benefits available in the context of certain terminations of employment following a change in control of our company more consistent across our executive officers.

Clawback Provisions

The Committee is focused on mitigating risk associated with the company's compensation program for NEOs and believes that "clawback" provisions are a useful tool. Each of our NEOs, in his employment agreement, is covered by a clawback provision under which the NEO may be required, upon certain triggering events, to repay all or a portion of incentive compensation that was previously paid (including proceeds from previously-exercised and vested equity awards), and to forfeit unvested equity awards. These clawback provisions are generally triggered if (i) the NEO has engaged in fraud or other willful misconduct that contributes materially to any significant financial restatements or material loss to our company or any of our affiliates, (ii) the NEO is terminated for Cause (as defined in the employment agreement) or (iii) the NEO breaches the restrictive covenants that are applicable under his employment agreement. To the extent that the rules to be promulgated by the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act are broader than the clawback provisions contained in the employment agreements that are applicable to our NEOs, our NEOs will be subject to additional clawback provisions pursuant to such rules. For more information, see the section below entitled "Employment Agreements with Named Executive Officers – Clawbacks."

Equity Ownership Requirements

We believe that maintaining equity ownership in our company will help align our NEOs' interests with the interests of our stockholders and will mitigate a number of risks, including risks related to executive retention and undue risk-taking. Each NEO has agreed to resale restrictions prohibiting the sale or transfer prior to September 2, 2016 of any shares of the company's common stock (on an after-tax basis) acquired upon exercise or settlement of any equity grant received from the company, including equity grants made under each NEO's employment agreement. As a result of these lock-up agreements, as of March 18, 2015, each of our NEOs holds restricted shares, time-based restricted stock units and restricted stock options that are or will be vested as of September 2, 2016, assuming continued employment by our company, that presently have a value at least 12 times greater than such NEO's annual base salary. We believe that the significant equity stakes of our NEOs, the performance conditions related to 2017 cash earnings per share of the 2014 and 2015 PRSU grants, and the resale restrictions to which our NEOs are subject substantially align the interests of our NEOs and our stockholders.

Hedging and Pledging Policy

Under the XPO Logistics, Inc. Insider Trading Policy, our company's directors and executive officers, including the NEOs, are prohibited from pledging or holding company securities in a margin account without pre-clearance. In addition, such persons are prohibited from engaging in hedging transactions, such as prepaid variable forwards, equity swaps, collars and exchange funds or any other transactions that are designed to or have the effect of hedging or offsetting any decrease in the market value of equity securities.

Tax Considerations

We generally structure our base salary and incentive compensation programs to maximize the deductibility of compensation under Section 162(m) of the Code, from and after the time that our compensation programs become subject to Section 162(m). However, the Committee and our Board will take into consideration a multitude of factors in making executive compensation decisions and could, in certain circumstances, approve and authorize compensation that is not tax deductible.

Conclusion

The Committee believes that our compensation programs appropriately reward executive performance and align the interests of our NEOs and key employees with the long-term interests of our stockholders, while also enabling our company to attract and retain talented executives. As such, we encourage our stockholders to support our company's advisory "say on pay" resolution, which is set forth in this proxy statement as Proposal 4. The Committee will continue to evolve and administer our compensation program in a manner that the Committee believes will be in the best interests of our stockholders.

Compensation Committee Report

The following statement made by our Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K as set forth above. Based on such review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Compensation Committee:

G. Chris Andersen, Chair
Jason D. Papastavrou
Oren G. Shaffer

Compensation Tables

Summary Compensation Table

The following table sets forth information concerning the total compensation awarded to, earned by, or paid to our Chief Executive Officer, Chief Financial Officer, and the next three most highly compensated executive officers, for the year ended December 31, 2014. This "Summary Compensation" table is accompanied by an "All Other Compensation" table, a "Grants of Plan-Based Awards" table and additional narrative discussion as necessary to assist in the understanding of the information presented in each of such tables.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[1] ($)	Non-Equity Incentive Plan Compensation[2] ($)	All Other Compensation[3] ($)	Total ($)
Bradley S. Jacobs[4]	2014	$495,000	—	$2,802,536	—	$585,000	$ 2,105	$3,884,641
Chief Executive Officer and	2013	$495,000	—	—	—	$495,000	$ 2,000	$ 992,000
Chairman	2012	$495,000	—	$1,876,800	—	—	$ 2,000	$2,373,800
John J. Hardig[5]	2014	$395,000	—	$ 834,789	—	$435,000	$ 27,453	$1,692,242
Chief Financial Officer	2013	$395,000	—	—	—	$390,000	$ 29,999	$ 814,999
	2012	$341,827	—	$1,902,150	$344,500	—	$267,536	$2,856,013
Troy A. Cooper[6]	2014	$308,462	—	$1,019,349	—	$475,000	$ 2,105	$1,804,916
Chief Operating Officer								
Gordon E. Devens[7]	2014	$300,000	—	$ 894,434	—	$475,000	$ 2,105	$1,671,539
Senior Vice President and	2013	$300,000	—	$ 721,144	—	$405,000	$ 2,000	$1,428,144
General Counsel	2012	$300,000	—	—	—	—	$118,000	$ 418,000
Scott B. Malat[8]	2014	$300,000	—	$1,173,310	—	$475,000	$ 2,105	$1,950,415
Chief Strategy Officer	2013	$300,000	—	$ 360,566	—	$350,000	$ 2,000	$1,012,566
	2012	$300,000	—	$ 52,747	$218,040	$300,000[9]	$ 5,335	$ 876,122

(1) The amounts reflected in each respective column represent the aggregate grant date fair value of the awards made during each respective year and the incremental value of any awards modified during each respective year, as computed in accordance with ASC 718. For a further discussion of the assumptions used in the calculation of the grant date fair values for each year, please see "Notes to Consolidated Financial Statements—Note 11. Stock-Based Compensation" of our company's Annual Report on Form 10-K for the year ended December 31, 2014. For further discussion of grants made in 2014, see the accompanying "Grant of Plan-Based Awards" table. The values reported in the columns represent the awards granted to our NEOs during 2014 as set forth on page 26 of this proxy statement. For the PRSUs, the amounts reflected in the column represent the target level of performance, which is also the maximum level of performance.

(2) In March 2014, the Committee established for certain eligible employees a target annual cash incentive award for 2014 under the terms of our 2011 Plan. The amounts reflected in this column for 2014 represent a performance-based annual cash bonus award earned pursuant to our 2014 Cash Incentive Awards, which is described in more detail under the heading "Compensation Discussion and Analysis – Annual Cash Incentive Bonuses."

(3) The components of "All Other Compensation" for 2014 are detailed below in the "All Other Compensation" table.

(4) Mr. Jacobs was appointed as the company's Chief Executive Officer and Chairman of the Board on September 2, 2011. Mr. Jacobs' annual base salary is $495,000. Mr. Jacobs did not receive any additional compensation for his services as a Board member.

(5) Mr. Hardig commenced employment as our Chief Financial Officer on February 13, 2012. Mr. Hardig's annual base salary is $395,000.

(6) Mr. Cooper was promoted to Chief Operating Officer in May 2014. He joined the company in September 2011 as Vice President – Finance and has held positions of increasing responsibility since then. He was not a named executive officer in 2012 or 2013, and accordingly, compensation information for those years is omitted. Mr. Cooper's annual base salary is $350,000.

(7) Mr. Devens commenced employment as our Senior Vice President and General Counsel on November 14, 2011. Mr. Devens' annual base salary is $300,000.

(8) Mr. Malat commenced employment as our Senior Vice President–Strategic Planning on October 20, 2011. On July 9, 2012, Mr. Malat was promoted to Chief Strategy Officer. Mr. Malat's annual base salary is $300,000.

(9) Represents a performance-based cash bonus in the amount of $300,000 paid in 2012 under the terms of the 2012 Cash Incentive Awards program.

We compensate our NEOs pursuant to the terms of their respective employment agreements, and the information reported in the "Summary Compensation" table reflects the terms of such agreements. For more information about our NEOs' employment agreements, see the discussion in this proxy statement under the heading "Employment Agreements with Named Executive Officers."

All Other Compensation Table

The following table outlines the amounts included in the "All Other Compensation" column in the "Summary Compensation" table for our NEOs in 2014:

Name and Principal Position	Year	Matching Contributions to 401(k) Plan ($)(1)	Perquisites and Other Personal Benefits ($)(2)	Total ($)
Bradley S. Jacobs	2014	$2,000	$ 105	$ 2,105
Chief Executive Officer and Chairman	2013	$2,000	—	$ 2,000
	2012	$2,000	—	$ 2,000
John J. Hardig	2014	$2,000	$ 25,453(3)	$ 27,453
Chief Financial Officer	2013	$2,000	$ 27,999(3)	$ 29,999
	2012	$2,000	$265,536(4)	$267,536
Troy A. Cooper	2014	$2,000	$ 105	$ 2,105
Chief Operating Officer				
Gordon E. Devens	2014	$2,000	$ 105	$ 2,105
Senior Vice President and General Counsel	2013	$2,000	—	$ 2,000
	2012	$2,000	$116,000(5)	$118,000
Scott B. Malat	2014	$2,000	$ 105	$ 2,105
Chief Strategy Officer	2013	$2,000	—	$ 2,000
	2012	$2,000	$ 3,335	$ 5,335

(1) Amounts in this column represent matching contributions made by us to our company's 401(k) plan. Only amounts contributed directly by our NEOs are eligible for matching contributions, and our NEOs are eligible for matching contributions on the same basis as all other eligible employees of our company.

(2) Amounts in this column for 2014 include the company paid life insurance premium of $105 for each NEO.

(3) Represents a payment for commuting expenses paid pursuant to Mr. Hardig's employment agreement.

(4) Includes a cash make-whole payment in the amount of $225,000 paid pursuant to Mr. Hardig's employment agreement to compensate him for the benefits and payments forfeited upon departure from his prior employer. Also includes payments for commuting, relocation and COBRA due under the terms of Mr. Hardig's employment agreement.

(5) Represents relocation payments due under the terms of Mr. Devens' employment agreement.

Grants of Plan-Based Awards

The following table accompanies the "Summary Compensation" table and provides additional detail regarding grants of equity and non-equity awards under our 2011 Plan and 2014 Cash Incentive Awards as well as other compensation arrangements made during 2014:

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]						
Name and Principal Position	**Grant Date[1]**	**Approval Date[1]**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)[4]**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards[5]**
Bradley S. Jacobs	3/14/2014	3/14/2014	—	—	—	—	150,593	—	—	—	—	$2,802,536
Chief Executive	—	—		495,000								
Officer and Chairman												
John J. Hardig	3/14/2014	3/14/2014	—	—	—	—	44,857	—	—	—	—	$ 834,789
Chief Financial Officer	—	—		395,000								
Troy A. Cooper	3/14/2014	3/14/2014	—	—	—	—	40,051	—	—	—	—	$ 745,349
Chief Operating	6/30/2014	6/30/2014	—	—			25,000					$ 274,000
Officer	—	—		350,000								
Gordon E. Devens	3/14/2014	3/14/2014	—	—	—	—	48,062	—	—	—	—	$ 894,434
Senior Vice President	—	—	—	300,000	—	—	—	—	—	—	—	—
and General Counsel												
Scott B. Malat	3/14/2014	3/14/2014	—	—	—	—	57,674	—	3,204	—	—	$1,173,310
Chief Strategy Officer	—	—	—	300,000	—	—	—	—	—	—	—	—

(1) As described in this proxy statement under the heading "Compensation Discussion and Analysis," we granted PRSUs to the NEOs on March 14, 2014 under the 2011 Plan, time-based restricted stock to Mr. Malat on March 14, 2014 under the 2011 Plan and additional PRSUs to Mr. Cooper on June 30, 2014.

(2) Pursuant to the 2011 Plan, in no event will the amount paid to any eligible employee as an annual cash incentive award exceed $5,000,000 per person.

(3) Awards in these columns consist of PRSUs. The PRSUs vest upon achievement of the following performance goals (subject, in general, to the grantee's continued employment by the company as of the date of determination): (i) the price of a share of the company's common stock must trade at or above $60.00 per share for 20 consecutive trading days prior to April 2, 2018 and (ii) the company's adjusted cash earnings per share must be at least $2.50 with respect to fiscal 2017.

(4) Awards in these columns consist of time-based restricted stock units that vest on June 30, 2015 subject to Mr. Malat's continued employment with the company on that date.

(5) Amounts represent the grant date fair value of equity awards made in 2014, as computed in accordance with ASC 718.

For additional information relevant to the awards that are shown in the above table (including a discussion of the performance criteria established and the actual payouts, if applicable, under such awards), please see the discussions in this proxy statement under the headings "Compensation Discussion and Analysis—Annual Cash Incentive Bonuses," "Compensation Discussion and Analysis—Long-Term Incentive Program" and "Employment Agreements with Named Executive Officers." Also, the vesting of awards set forth in the above table may, in certain instances, be accelerated upon certain events. See the discussions in this proxy statement under the headings "Compensation Discussion and Analysis" and "Employment Agreements with Named Executive Officers" for the principal terms of our NEOs' employment agreements.

Outstanding Equity Awards at Fiscal Year–End

The following table sets forth the outstanding equity awards held by our NEOs as of December 31, 2014:

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares of Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]**
Bradley S. Jacobs . . . . Chief Executive Officer and Chairman	150,000	—	100,000[2]	$ 9.28	11/21/2021	—	—	234,593[3]	$9,590,162
John J. Hardig . . . . Chief Financial Officer	30,000	—	20,000[2]	$14.09	2/13/2022	—	—	98,857[4]	$4,041,274
Troy A. Cooper . . . . Chief Operating Officer	15,000	—	10,000[2]	$11.46	1/16/2022	—	—	111,926[5]	$4,575,535
Gordon E. Devens . . . . Senior Vice President and General Counsel	75,000	—	50,000[2]	$ 9.79	11/14/2021	—	—	105,205[6]	$4,300,780
Scott B. Malat . . . . Chief Strategy Officer	15,000	—	10,000[2] 23,000[8]	$10.65 $18.07	10/21/2021 3/5/2022	—	—	127,640[7]	$5,217,923

(1) Amounts in this column have been calculated using an assumed stock price of $40.88, the closing price of our common stock on December 31, 2014, the last business day of our fiscal year 2014.

(2) These stock options vest in equal installments on each of September 2, 2015 and 2016.

(3) Consists of (i) 20,000 RSUs, of which 10,000 will vest on each of September 2, 2015 and 2016; (ii) 64,000 PRSUs, of which 32,000 will vest on each of September 2, 2015 and 2016; and (iii) 150,593 PRSUs, of which 150,593 will vest on April 2, 2018, subject to achievement of certain performance criteria. PRSUs are reflected at the target amount because there are no threshold amounts for such PRSUs. Vesting of the RSUs and PRSUs is subject to continued employment by Mr. Jacobs on each vesting date.

(4) Consists of (i) 20,000 RSUs, of which 10,000 will vest on each of September 2, 2015 and 2016; (ii) 34,000 PRSUs, of which 17,000 will vest on each of September 2, 2015 and 2016; and (iii) 44,857 PRSUs, of which 44,857 will vest on April 2, 2018, subject to achievement of certain performance criteria being achieved with respect to the 44,857 PRSUs. PRSUs are reflected at the target amount because there are no threshold amounts for such PRSUs. Vesting of the RSUs and PRSUs is subject to continued employment by Mr. Hardig on each vesting date.

(5) Consists of (i) 21,875 RSUs which will vest on September 2, 2015; (ii) 25,000 RSUs, of which 15,000 will vest on September 2, 2016, 5,000 will vest on February 15, 2017 and 5,000 will vest on February 15, 2018; (iii) 40,051 PRSUs, of which 40,051 will vest on April 2, 2018, subject to the achievement of certain performance criteria; and (iv) 25,000 PRSUs, of which 25,000 will vest on April 2, 2018, subject to the achievement of certain performance criteria. PRSUs are reflected at the target amount because there are no threshold amounts for such PRSUs. Vesting of the RSUs and PRSUs is subject to continued employment of Mr. Cooper on each vesting date.

(6) Consists of (i) 57,143 RSUs, of which 34,286 will vest on September 2, 2016, 11,429 will vest on February 15, 2017 and 11,428 will vest on February 15, 2018 and (ii) 48,062 PRSUs, of which 48,062 will vest on April 2, 2018, subject to achievement of certain performance criteria. PRSUs are reflected at the target amount because there are no threshold amounts for such PRSUs. Vesting of the RSUs and PRSUs is subject to the continued employment of Mr. Devens on each vesting date.

(7) Consists of (i) 28,000 RSUs, of which 14,000 will vest on each of September 2, 2015 and 2016; (ii) 3,191 RSUs which vest in full on September 2, 2016; (iii) 7,000 PRSUs, of which 3,500 will vest on each of September 2, 2015 and 2016, subject to continued employment by Mr. Malat on each vesting date for each award; (iv) 28,571 PRSUs, of which 17,143 will vest on September 2, 2016, and 5,714 PRSUs will vest on each of February 15, 2017 and February 15, 2018; (v) 3,204 RSUs which will vest in full on June 30, 2015; and (vi) 57,674 PRSUs, of which 57,674 will vest on April 2, 2018, subject to achievement of certain performance criteria. PRSUs are reflected at the target amount, because there are no threshold amounts for such PRSUs. Vesting of the RSUs and PRSUs is subject to the continued employment of Mr. Malat on each vesting date.

(8) These stock options vest in full on September 2, 2016, subject to the continued employment of Mr. Malat on such date.

Options Exercised and Stock Vested

The following table sets forth the restricted stock units that vested for our NEOs during 2014. There were no stock option exercises by our NEOs during 2014.

Name	Option Awards: Number of Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)	Stock Awards: Number of Shares Acquired on Vesting (#)	Stock Awards: Value Realized on Vesting ($)
Bradley S. Jacobs	—	—	42,000	1,362,900
John J. Hardig	—	—	27,000	876,150
Troy A. Cooper	—	—	21,875	709,844
Gordon E. Devens	—	—	—	—
Scott B. Malat	—	—	17,500	567,875

Estimated Executive Benefits and Payments Upon Termination or Change of Control

The following table reflects the amounts of compensation that would be due to each of our NEOs pursuant to their respective employment agreements upon termination without Cause, termination for Good Reason (as defined in their respective employment agreements), termination with Cause, voluntary termination without Good Reason, a Change of Control (as defined in the 2011 Plan), termination following a Change of Control and, in the event of a termination due to disability or death of the executive, as if each such event had occurred on December 31, 2014. For a discussion of the terms of each of our NEO's employment agreements as in effect on December 31, 2014, please see the discussion in this proxy statement under the heading "Employment Agreements with Named Executive Officers." The amounts shown below are estimates of the payments that each NEO would receive in certain instances. The actual amounts payable will only be determined upon the actual occurrence of any such event.

Event	Bradley S. Jacobs	John J. Hardig	Troy A. Cooper[(1)]	Gordon E. Devens	Scott B. Malat
Termination without Cause or for Good Reason:					
Cash severance[(2)(3)]	$ 990,000	$ 900,000	$ 350,000	$ 300,000	$ 300,000
RSUs	*$ 134,413*	*$ 134,413*	—	—	*$ 231,217*
PRSUs	*$ 1,644,708*	*$ 590,273*	*$ 460,093*	*$ 387,645*	*$ 591,902*
Options	*$ 519,441*	*$ 88,086*	—	*$ 255,529*	*$ 379,120*
Acceleration of equity-based awards[(4)]	$ 2,298,562	$ 812,772	$ 460,093	$ 643,174	$1,202,239
Continuation of medical / welfare benefits[(5)]	$ 7,298	$ 7,298	$ 7,148	$ 6,373	$ 7,298
Other	—	—	—	—	—
Total	***$ 3,295,860***	***$1,720,070***	***$ 817,241***	***$ 949,547***	***$1,509,537***
Termination without Cause or for Good Reason, Fully Extended Non-Compete[(6)]:					
Cash severance[(2)(3)]	$ 1,980,000	$1,800,000	$ 350,000	$ 900,000	$ 900,000
RSUs	*$ 134,413*	*$ 134,413*	—	—	*$ 231,217*
PRSUs	*$ 1,644,708*	*$ 590,273*	*$ 460,093*	*$ 387,645*	*$ 591,902*
Options	*$ 519,441*	*$ 88,086*	—	*$ 255,529*	*$ 379,120*
Acceleration of equity-based awards[(4)]	$ 2,298,562	$ 812,772	$ 460,093	$ 643,174	$1,202,239
Continuation of medical / welfare benefits[(5)]	$ 7,298	$ 7,298	7,148	$ 6,373	$ 7,298
Other	—	—	—	—	—
Total	***$ 4,285,860***	***$2,620,070***	***$ 817,241***	***$1,549,547***	***$2,109,537***
Termination for Cause or Voluntary Termination without Good Reason:					
Cash severance	—	—	—	—	—
Acceleration of equity-based awards	—	—	—	—	—
Continuation of medical / welfare benefits	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**
Disability:					
Cash severance[(2)(7)]	$ 990,000	$ 900,000	—	$ 300,000	$ 300,000
Acceleration of equity-based awards[(4)]	$ 7,808,547	$3,105,108	$1,482,093	$4,278,171	$4,152,314
Continuation of medical / welfare benefits[(5)]	$ 7,298	$ 7,298	—	$ 6,373	$ 7,298
Total	***$ 8,805,845***	***$4,012,406***	***$1,482,093***	***$4,584,544***	***$4,459,612***
Death:					
Cash severance[(2)]	$ 990,000	$ 900,000	—	$ 300,000	$ 300,000
Acceleration of equity-based awards[(4)]	$12,750,162	$4,577,074	$3,681,285	$5,855,280	$6,044,853
Continuation of medical / welfare benefits[(5)]	—	—	—	—	—
Total	***$13,740,162***	***$5,477,074***	***$3,681,285***	***$6,155,280***	***$6,344,853***
Change in Control and No Termination:					
Cash severance[(2)]	—	—	—	—	—
Acceleration of equity-based awards[(4)]	$12,750,162	$4,577,074	$4,869,735	$5,855,280	$6,044,853
Continuation of medical / welfare benefits[(5)]	—	—	—	—	—
Total	***$12,750,162***	***$4,577,074***	***$4,869,735***	***$5,855,280***	***$6,044,853***
Change in Control and Termination without Cause or for Good Reason:					
Cash severance[(2)]	$ 2,970,000	$2,700,000	$2,100,000	$1,800,000	$1,800,000
Acceleration of equity-based awards[(4)]	$12,750,162	$4,577,074	$4,869,735	$5,855,280	$6,044,853
Continuation of medical / welfare benefits[(5)]	$ 21,893	$ 21,893	$ 21,445	$ 19,119	$ 21,893
Other	—	—	—	—	—
Total	***$15,742,055***	***$7,298,967***	***$6,991,180***	***$7,674,399***	***$7,866,746***
Change in Control and Termination without Cause or for Good Reason, Fully Extended Non-Compete[(6)]:					
Cash severance[(2)]	$ 3,960,000	$3,600,000	$2,100,000	$2,400,000	$2,400,000
Acceleration of equity-based awards[(4)]	$12,750,162	$4,577,074	$4,869,735	$5,855,280	$6,044,853
Continuation of medical / welfare benefits[(5)]	$ 21,893	$ 21,893	21,445	$ 19,119	$ 21,893
Other	—	—	—	—	—
Total	***$16,732,055***	***$8,198,967***	***$6,991,180***	***$8,274,399***	***$8,466,746***

(1) Under his amended and restated employment agreement, Mr. Cooper is not entitled to severance payments other than accrued benefits in the event his employment is terminated due to disability. Additionally, Mr. Cooper's employment agreement does not provide for extended non-compete periods in exchange for additional salary payments.

(2) Amounts shown do not include any payments for accrued and unpaid salary, bonuses or vacation.

(3) In the event of a termination by our company without Cause or by any NEO for Good Reason prior to a Change of Control, cash severance payable to the NEO (other than Mr. Malat) will be reduced, dollar for dollar, by other income earned by such NEO (other than for Mr. Cooper whose severance payments will cease when he secures other employment). For purposes of determining severance pay, Mr. Hardig's annual base salary is $450,000.

(4) Amounts shown were calculated using the fair market value of unvested restricted stock units and the in-the-money value of unvested options based upon a stock price of $40.88 per share, our company's stock price as of December 31, 2014. The amounts shown for PRSUs have been estimated based on target levels. Although the PRSUs would no longer be subject to a continued service requirement upon the occurrence of the specified termination event, in the event of a termination by our company without Cause or by the NEO for Good Reason, the shares or cash subject to such awards would not be received by the NEO until the completion of the associated performance period based on our company's actual performance. Pursuant to the PRSU award agreements, new awards of PRSUs provide for specific vesting depending on the circumstances. For purposes of this calculation, with respect to the PRSUs granted in 2014, a termination of employment due to the NEO's disability is treated as a termination without Cause. The actual treatment of such PRSUs in the event of a termination of employment due to disability would be determined by our Board under the terms of the applicable award agreements.

(5) The amounts of continued health and welfare benefits shown in the table (i) have been calculated based upon our current actual costs of providing the benefits and (ii) have not been discounted for the time value of money. Our current annual cost of providing health and welfare benefits to each of our eligible NEOs is as follows: Mr. Jacobs, $7,298; Mr. Hardig, $7,298; Mr. Cooper, $7,148; Mr. Devens, $6,373; and Mr. Malat, $7,298. In the case of our NEOs, in the event of a termination without Cause or for Good Reason prior to a Change of Control, continued medical and welfare benefits will cease when the NEO commences employment with a new employer.

(6) In the event of a termination by our company without Cause or by any NEO for Good Reason (either prior to or following a Change of Control), our company has the right to extend the period during which such NEO (except for Mr. Cooper who will already be subject to a three-year noncompetition period) is bound by the non-competition covenant in his employment agreement for up to two additional years. During the period the non-compete is extended, the NEO would be entitled to receive cash compensation equal to his monthly base salary as in effect on the date his employment terminated. Amounts included in the respective columns assume that the NEO will not be permitted to compete with our company for three years following his termination without Cause or for Good Reason.

(7) Cash severance payable to each of our NEOs in the event of a termination due to disability will be reduced, dollar for dollar, by any income or salary continuation paid to the NEO under any company plan or policy, except for Mr. Devens, in whose case the cash severance will only be reduced, dollar for dollar, by any monies he earns from other work.

Each Employment Agreement, which is described in detail in this proxy statement under the heading "Employment Agreements with Named Executive Officers," generally provides that, in the event of a termination without Cause, for Good Reason or due to death or disability, cash severance payments and continued benefits will be made ratably over the two-year period (one-year period for Messrs. Cooper, Devens and Malat) following the executive's termination (subject to any delays required pursuant to Section 409A of the Code). Mr. Cooper's employment agreement generally does not provide for payments other than accrued benefits if his employment is terminated due to death or disability. Generally, in the event of a termination in connection with a Change of Control, cash severance payments will be made in one lump sum (subject to any delays required pursuant to Section 409A of the Code). In addition, in the event of a termination without Cause or Good Reason, the employment agreements of our NEOs (other than Mr. Cooper) provide that they will vest in a portion of their equity-based awards set forth in the employment agreement that were scheduled to vest on the next vesting date based on the number of days each NEO was employed during the period applicable to the current tranche, provided that performance-based restricted stock units will be subject to the achievement of any applicable performance goals. All equity-based awards granted to our NEOs will accelerate vesting in the event of a termination due to disability or death or upon a Change of Control, except that (1) the 2014 PRSU award agreements do not specifically address the vesting of such PRSUs in the event that the termination of employment due to disability and (2) Mr. Cooper's employment agreement specifies that all unvested RSUs granted in his employment agreement will be forfeited upon his termination for any reason but will fully vest upon a Change of Control. New awards of PRSUs pursuant to the PRSU award agreements provide for specific vesting depending on various circumstances. Other than in the event of the NEO's death or disability, the severance payments set forth in the table are generally subject to and conditioned upon the NEO signing an irrevocable waiver and release and continued compliance with certain restrictive covenants.

For more information regarding the payments and benefits to which our NEOs are entitled upon certain termination events or upon a Change of Control, see the discussion in this proxy statement under the heading "Employment Agreements with Named Executive Officers."

Employment Agreements with Named Executive Officers

We have entered into employment agreements with each of the NEOs, which are generally similar to one another but contain some distinctions as a result of arm's-length negotiations with each NEO (each, an "Employment Agreement"). Certain employment agreements were amended and restated in March 2014, including those with both Mr. Cooper and Mr. Devens. The primary purpose of the amended and restated employment agreements was to make the benefits available in the context of certain terminations of employment following a change in control of our company more consistent across our executive officers.

Term. Each Employment Agreement generally provides for the NEO's employment from his start date until September 2, 2016, except that Mr. Cooper's amended and restated employment agreement started on March 14, 2014 and shall automatically expire on the day prior to the fourth anniversary of that date. Our NEOs' start dates are as follows: Mr. Jacobs, September 2, 2011; Mr. Hardig, February 13, 2012; Mr. Cooper, September 2, 2011; Mr. Devens, November 14, 2011; and Mr. Malat, October 20, 2011. If a Change of Control (as defined in the 2011 Plan) occurs prior to September 2, 2016, the term of Mr. Jacobs' Employment Agreement will expire on the later of September 2, 2016 and the second anniversary of such Change of Control.

Salary and Annual Incentive Bonus. The Employment Agreements provide the annual base salary and target annual bonus amount for each NEO as set forth in the table below. On June 30, 2014, Mr. Cooper's Employment Agreement was amended to increase the base salary to $350,000 per year in conjunction with his promotion to Chief Operating Officer. The target annual bonus listed in the table below relates to fiscal years beginning in 2014.

Employment Agreement Annual Base Salary and Target Annual Bonus

Named Executive Officer	Annual Salary	Target Annual Bonus
Mr. Bradley S. Jacobs	$495,000	To be determined by the Compensation Committee
Mr. John J. Hardig	$395,000	100% of base salary
Mr. Troy A. Cooper	$350,000	100% of base salary
Mr. Gordon E. Devens	$300,000	Between 40% and 100% of base salary
Mr. Scott B. Malat	$300,000	100% of base salary

Initial Equity Incentive Awards. Pursuant to the Employment Agreements, each of our NEOs is eligible to participate in the Plan. Pursuant to his Employment Agreement, any shares of our common stock issued to Mr. Jacobs upon exercise or vesting of any award granted under his Employment Agreement will be subject to a lock-up until the earliest of the first anniversary of the issuance of such shares, a Change of Control and termination of Mr. Jacobs' employment for any reason.

Benefits and Business Expense Reimbursement. Under the Employment Agreements, each of our NEOs is eligible to participate in our benefit plans and programs that are generally available to other members of our senior executive team and is eligible for reimbursement of all reasonable and necessary business expenses incurred in the performance of his duties during the term of his Employment Agreement.

Relocation and Housing Assistance. Pursuant to the Employment Agreements of Messrs. Devens and Hardig, the company provided the NEOs with relocation and housing assistance. Mr. Devens was eligible for an aggregate of $120,000 in relocation and housing assistance. Mr. Hardig is eligible to receive (i) reimbursement for commuting expenses up to $2,500 per month until he relocates his household and (ii) an aggregate of $20,000 in additional relocation and housing assistance.

Termination Events. Each Employment Agreement provides that we may terminate the NEO's employment during the term with or without Cause and the NEO may terminate his employment with or without Good

Reason. Other than in the event of the NEO's death or disability, the severance payments described below are subject to and conditioned upon the NEO (1) signing an irrevocable waiver and general release and (2) complying with the restrictive covenants contained in his Employment Agreement (as described below).

In the event that any of our NEOs (except for Mr. Cooper) dies or becomes disabled during the term of his employment agreement, or if we terminate the NEO's employment without Cause, or if he resigns for Good Reason (i) as it relates to Messrs. Jacobs and Hardig, either prior to a Change of Control or more than two years following a Change of Control, or (ii) as it relates to Messrs. Cooper, Devens and Malat, either prior to a Change of Control or more than one year following a Change of Control, such NEO will be entitled to:

- accrued and unpaid salary, bonus and vacation benefits;
- two years' base salary (for Messrs. Jacobs and Hardig) or one year's base salary (for Messrs. Cooper, Devens and Malat), at the level in effect on the date of termination, which will be paid in equal installments over the 24 or 12 months, respectively, following the date of termination (subject to any delay required by Section 409A of the Code), which generally will be reduced, dollar-for-dollar, by other earned income (or in the case of Mr. Cooper, the base salary payments will cease when he secures other employment) and in connection with the NEO's disability, by any income or salary continuation paid to the NEO under any company plan or policy (except for Mr. Devens in whose case the cash severance will only be reduced, dollar for dollar, by any monies he earns from other work); and
- medical and dental coverage for a period of 12 months from the date of termination, or, if earlier, until the NEO secures other employment.

Mr. Cooper is not entitled to payments, other than accrued benefits, if his employment is terminated due to death or disability.

If the NEO's employment is terminated during the term of his Employment Agreement as a result of death or disability (except for Mr. Cooper), the unvested equity-based awards granted to the NEO in the Employment Agreement will automatically vest. In the event the NEO's employment is terminated either by our company without Cause or by him for Good Reason during the term of his Employment Agreement, a prorated portion of the unvested equity-based awards granted in the Employment Agreement scheduled to vest on the next vesting date will vest (in the case of the PRSUs, subject to achievement of applicable performance goals), and the balance of any such equity-based awards will be forfeited upon the date of termination. New awards of PRSUs pursuant to PRSU award agreements provide for specific vesting depending on various circumstances. Notwithstanding provisions of the employment agreements, the 2013 PRSU award agreement has the following vesting rules: (i) all outstanding RSUs granted under the PRSU award agreement shall immediately vest in full in the event of a Change of Control or a termination by reason of death or disability and (ii) if the employee is terminated without Cause after September 2, 2016 and the performance goal has been achieved before the termination date, all outstanding RSUs shall immediately vest in full. Notwithstanding provisions of the employment agreements, the 2014 and 2015 PRSU award agreement provides that new awards issued pursuant to the PRSU award agreement will have the following vesting rules: (i) all outstanding RSUs granted under the PRSU award agreement shall immediately vest in full in the event of a Change of Control; (ii) all outstanding RSUs shall immediately vest in full if the employee is terminated by reason of death; (iii) the employee will remain eligible to vest in the RSUs subject to the achievement of the performance goals if the employee is terminated without Cause or resigns for Good Reason after April 2, 2018; and (iv) if the employee is terminated without Cause or resigns for Good Reason prior to April 2, 2018, a prorated portion of the RSU award will vest depending on the grant date, the date of termination and April 2, 2018. If the NEO's employment is terminated by our company for Cause or he voluntarily resigns without Good Reason during the term of his Employment Agreement, he will forfeit any unvested equity-based awards.

"Cause," for purposes of the Employment Agreements, generally means the NEO's:

- willful misconduct or gross negligence in the performance of his duties;

- commission of any fraud, embezzlement, theft or any act of material dishonesty that is injurious to our company, or any deliberate misappropriation of money or other assets of our company;
- material breach of any term of his Employment Agreement or any agreement governing any equity-based awards or material breach of his fiduciary duties;
- any willful act, or failure to act, in bad faith to the material detriment of our company;
- willful failure to cooperate in good faith with a governmental or internal investigation if his cooperation is requested; and
- conviction of, or plea of nolo contendere to, a felony or any serious crime;

provided that, in cases where cure is possible, the NEO has a cure period of 15 days (with the exception of Mr. Jacobs, whose cure period is 30 days) before he can be terminated for Cause. Our NEOs are also generally subject to certain retroactive Cause provisions.

"Good Reason," for purposes of the Employment Agreements, generally means, without first obtaining the NEO's written consent:

- with regard to each NEO, our material breach of the terms of his Employment Agreement or a reduction in the base salary or, only with regard to Messrs. Jacobs and Hardig, a reduction in the amount of paid vacation to which the NEO is entitled or his fringe benefits or perquisites;
- (i) with regard to Mr. Jacobs, he fails to continue as our Chief Executive Officer; (ii) with regard to Mr. Cooper, Devens or Malat, we assign him to a position that is substantially inconsistent with his professional skills and experience level as of his start date; or (iii) with regard to Mr. Hardig, we diminish his duties or responsibilities in a material and negative manner;
- with regard to Messrs. Jacobs, Cooper, Hardig and Malat, we require the NEO to be based in a location that is more than 50 miles from his initial work location; and
- with regard to Mr. Devens, we require him to report to someone other than the Chief Executive Officer.

In each case, the NEO's Good Reason right is subject to our company's 30-day cure period.

Change of Control. Each Employment Agreement provides that, upon the occurrence of a Change of Control while the NEO is still employed by our company, the equity-based awards granted in such Employment Agreement to the NEO will automatically vest. In addition, the employment agreements with each of Messrs. Jacobs, Hardig, Devens and Malat, provide that if the NEO's employment is terminated without Cause within six months prior to, and in anticipation of, a Change of Control, then, all outstanding equity-awards held by the NEO immediately prior to such termination will be deemed to have vested as of such date of termination. In the event that, within a specified period following a Change of Control, Messrs. Jacobs', Hardig's, Cooper's, Devens' or Malat's employment is terminated by our company without Cause or such NEO resigns for Good Reason, he will receive:

- accrued and unpaid salary, bonus and vacation benefits;
- a lump-sum cash payment equal to three times the sum of his annual base salary and target annual bonus (which, with regard to Mr. Jacobs, will be no less than 100% of his base salary) each at the level in effect on the date of termination (subject to any delay required by Section 409A of the Code);
- medical and dental coverage for a period of 36 months from the date of termination.

In order for Messrs. Jacobs, Hardig, Cooper, Devens or Malat to receive the enhanced Change of Control severance payments and benefits described above, their employment would have to terminate within two years for Messrs. Hardig and Jacobs or one year for Messrs. Cooper, Devens and Malat following the Change of

Control. Pursuant to the 2014 PRSU award agreement between the company and the NEOs, in the event that any amounts payable to the NEO in connection with a Change of Control constitute “parachute payments” within the meaning of Section 280G of the Code, then any such amounts will be reduced to avoid triggering the excise tax imposed by Section 4999 of the Code, if it would be more favorable to the NEO on a net after-tax basis. The NEO is not entitled to a gross-up payment for excise taxes imposed by Section 4999 of the Code on “excess parachute payments,” as defined in Section 280G of the Code.

Clawbacks. Under his Employment Agreement, each of our NEOs is subject to equity and annual bonus clawback provisions in the event of (1) a breach of the restrictive covenants (with the exception of a violation of the non-disparagement covenant by Mr. Jacobs or Hardig), (2) termination of his employment by our company for Cause or (3) his engagement in fraud or willful misconduct that contributes materially to any significant financial restatement or material loss to our company. If any such event occurs, we generally may terminate or cancel any awards granted to such NEO by our company (whether vested or unvested), and require him to forfeit or remit to our company any amount payable (or the net after-tax amount paid or received by such NEO) in respect of any such awards. With respect to Messrs. Jacobs and Hardig, this clawback is limited to any shares (or the equivalent value in cash) required to be held by such NEO pursuant to any stock ownership guidelines that we may put in place, subject to a maximum of four times his base salary, as in effect on the date of termination. Furthermore, under the Employment Agreement, in the event that a NEO engages in fraud or other willful misconduct that contributes materially to any significant financial restatement or material loss to our company, our company may generally require such NEO to repay any annual bonus (net of any taxes paid by him) previously paid to him, cancel any earned but unpaid annual bonus or adjust any future compensation such that he will only retain the amount that would have been payable to him after giving effect to the financial restatement or material loss. In addition, in the event that the NEO breaches any restrictive covenant, such NEO will be required, upon written notice from us, to forfeit or repay to our company his severance payments. In certain circumstances, the breach or fraudulent conduct must have occurred within a certain period in order for us to be able to clawback the equity-based awards, annual bonus or severance payments.

Restrictive Covenants. Under the Employment Agreement, each of our NEOs is generally subject to the following restrictive covenants: employee and customer non-solicitation during his employment and for a period of three years thereafter; confidentiality and non-disparagement during his employment and thereafter; and non-competition during his employment and for a period of one year (three years in the case of Mr. Cooper) following termination by our company without Cause or by the NEO for Good Reason, for a period of one year following the expiration of the term of Mr. Hardig’s Employment Agreement and for a period of three years following any other type of termination. In addition, we have the option to extend the non-competition period for up to two additional years (except for Mr. Cooper who is already subject to a three year non-competition period) following a termination by our company without Cause or by the NEO for Good Reason, provided that we continue to pay the NEO’s base salary as in effect on the date of termination during the extended non-competition period. In addition, each of Messrs. Jacobs, Hardig and Devens has a mutual non-disparagement clause.

AUDIT-RELATED MATTERS

Report of the Audit Committee

The following statement made by our Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.

The Audit Committee ("we" in this Report of the Audit Committee) consists of Dr. Papastavrou (Chair), Mr. Jesselson and Mr. Kingshott.

The Board has determined that each current member of the Audit Committee has the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of NYSE, our Audit Committee Charter, and the independence standards set forth in the XPO Logistics, Inc. Corporate Governance Guidelines. The Board has also determined that Dr. Papastavrou is an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-K under the Exchange Act. As more fully described below, in carrying out its responsibilities, the Audit Committee relies on management and XPO's independent registered public accounting firm (the "outside auditors"). The Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee operates under a written charter that is reviewed annually and is available at www.xpo.com.

In accordance with our charter, the Audit Committee assists the Board in fulfilling its responsibilities in a number of areas. These responsibilities include, among others, oversight of (i) XPO's accounting and financial reporting processes, including XPO's systems of internal controls and disclosure controls, (ii) the integrity of XPO's financial statements, (iii) XPO's compliance with legal and regulatory requirements, (iv) the qualifications and independence of XPO's outside auditors and (v) the performance of XPO's outside auditors and internal audit function. Management is responsible for XPO's financial statements and the financial reporting process, including the system of internal control over financial reporting. XPO's outside auditors, KPMG, are accountable to us and are responsible for expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of XPO in conformity with generally accepted accounting principles in the United States. We are solely responsible for selecting and reviewing the performance of XPO's outside auditors and, if we deem appropriate in our sole discretion, terminating and replacing the outside auditors. We also are responsible for reviewing and approving the terms of the annual engagement of XPO's outside auditors, including the scope of audit and non-audit services to be provided by the outside auditors and the fees to be paid for such services, and discussing with the outside auditors any relationships or services that may impact the objectivity and independence of the outside auditors.

In fulfilling our oversight role, we met and held discussions, both together and separately, with the company's management and KPMG. Management advised us that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements and key accounting and reporting issues with management and KPMG, both together and separately, in advance of the public release of operating results and filing of annual or quarterly reports with the SEC. We discussed with KPMG matters deemed significant by KPMG, including those matters required to be discussed pursuant to Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*, and reviewed a letter from KPMG disclosing such matters.

KPMG also provided us with the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the outside auditors' communications with the Audit Committee concerning independence, and we discussed with KPMG matters relating to their independence and considered whether their provision of certain non-audit services is compatible with maintaining their independence. In the letter, KPMG confirmed its independence, and we determined that KPMG's provision of non-audit services to XPO is compatible with maintaining its independence. We also reviewed a report by

KPMG describing the firm's internal quality-control procedures and any material issues raised in the most recent internal quality-control review or external peer review or inspection performed by the Public Company Accounting Oversight Board.

Based on our review with management and KPMG of XPO's audited consolidated financial statements and KPMG's report on such financial statements, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements be included in XPO's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

Audit Committee:

Jason D. Papastavrou, Chair
Michael G. Jesselson
Adrian P. Kingshott

Policy Regarding Pre-Approval of Services Provided by the Outside Auditors

The Audit Committee's charter requires review and pre-approval by the Audit Committee of all audit services provided by our outside auditors and, subject to the *de minimis* exception under applicable SEC rules, all permissible non-audit services provided by our outside auditors. The Audit Committee has delegated to its chair the authority to approve, within guidelines and limits established by the Audit Committee, specific services to be provided by our outside auditors and the fees to be paid. Any such approval must be reported to the Audit Committee at the next scheduled meeting. As required by Section 10A of the Exchange Act, the Audit Committee pre-approved all audit and non-audit services provided by our outside auditors during 2014 and 2013, and the fees paid for such services.

Services Provided by the Outside Auditors

As described above, the Audit Committee is responsible for the appointment, compensation, oversight, evaluation and termination of our outside auditors. Accordingly, the Audit Committee retained KPMG to serve as our independent registered public accounting firm for fiscal year 2014 on April 16, 2014.

The following table shows the fees for audit and other services provided by KPMG for fiscal years 2014 and 2013.

Fee Category	2014	2013
Audit Fees	$2,127,242	$1,203,000
Audit-Related Fees	2,917,000	1,100,000
Tax Fees	49,246	41,435
All Other Fees	—	—
Total Fees	$5,093,488	$2,344,435

Audit Fees. This category includes fees billed for professional services rendered by KPMG for 2014 and 2013 for the audits of our financial statements included in our Annual Report on Form 10-K, and reviews of the financial statements included in our Quarterly Reports on Form 10-Q. Also included within the 2014 and 2013 audit fees are fees for services rendered for the audits of the opening balance sheets of acquisitions during 2014 and 2013 and fees for services that are normally provided by the independent registered public accounting firm in connection with statutory or regulatory filings or engagements, including comfort letters and consents issued in connection with SEC filings.

Audit-Related Fees. This category includes fees billed for professional services rendered by the outside auditor for assurance and related services related to the performance of the audit or review of the financial statements that are not disclosed as Audit Fees. The 2014 and 2013 fees include financial due diligence services provided by KPMG in connection with acquisitions and potential acquisitions during 2014 and 2013.

Tax Fees. This category includes fees billed for professional services rendered by KPMG in connection with tax compliance in 2014 and 2013.

All Other Fees. This category represents fees for all other services or products provided that are not covered by the categories above. There were no such fees for 2014 and 2013.

PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING

PROPOSAL 1: ELECTION OF DIRECTORS

Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, after consultation with JPE in view of its rights under the Investment Agreement (as described under "Board of Directors and Corporate Governance—Directors" above), our Board has nominated for re-election at the annual meeting as a Class II director each of Mr. James J. Martell and Dr. Jason D. Papastavrou, each to stand for re-election for a new term expiring at the 2018 annual meeting of stockholders or until their successors are duly elected and qualified or, if Proposal 2 to declassify our Board of Directors is approved by our stockholders, for a term to expire at the 2016 annual meeting of stockholders. Each of the nominees is currently serving as a member of our Board. Information about the nominees is set forth above under the heading "Board of Directors and Corporate Governance—Directors."

In the event either of the nominees is unable or declines to serve as a director at the time of the annual meeting, the proxies voting for his election will be voted for any nominee who shall be designated by the Board to fill the vacancy. As of the date of this proxy statement, we are not aware that either nominee is unable or will decline to serve as a director if elected.

Our Board currently serves under staggered three-year terms of service, under which a portion of our directors are up for re-election in conjunction with our annual meeting each year. We are recommending that the stockholders approve an amendment to our amended and restated certificate of incorporation to declassify our Board and to provide for the annual election of directors. For more information, see the next section entitled "Proposal 2—Approval of an amendment to our amended and restated certificate of incorporation to declassify our Board of Directors and to provide for the annual election of directors."

Required Vote

The affirmative vote of shares of our common stock or preferred stock, voting together as a single class, representing a plurality of the votes cast is required to elect each of the nominees as Class II directors of our company.

Recommendation

Our Board unanimously recommends a vote "FOR" the election of each of Mr. Martell and Dr. Papastavrou to our Board.

PROPOSAL 2: APPROVAL OF AN AMENDMENT TO OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS AND TO PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

Currently, the company's Amended and Restated Certificate of Incorporation, as amended (the "Charter"), divides our directors into three classes, with one class of directors elected at each annual meeting of stockholders for a term beginning on the date of the election and ending on the date of the third annual meeting of stockholders following the beginning of the term.

After careful consideration, our Board has determined that it is advisable and in the best interests of our company and its stockholders to declassify our Board to allow the stockholders to vote on the election of all directors elected by our stockholders generally on an annual basis, rather than on a staggered basis. The proposed amendment to the Charter is set forth below and in Annex A to this proxy statement. Also, subject to the approval of this proposal, our Board has approved an amendment to the company's 2nd Amended and Restated Bylaws (the "Bylaws") to eliminate the provisions pertaining to the classified structure of our Board, to adopt a majority voting election standard for uncontested elections of directors, to require incumbent directors not elected by a majority vote to tender their resignations, and to provide for a procedure for the evaluation of such resignations. A copy of the proposed amendment to the Bylaws is set forth in Annex B to this proxy statement. The amendment to the Bylaws has been adopted by our Board and does not require stockholder approval. Although the amendment to the Bylaws does not require stockholder approval, it will not become effective unless the proposal to amend the Charter is adopted.

If this proposal to amend the Charter is approved by the stockholders, the proposed amendment to our Charter will be filed with the Delaware Secretary of State, and all directors elected by our stockholders generally will become subject to election on an annual basis for a one–year term expiring at the annual meeting of stockholders following their election. Each director will hold office until the annual meeting following his or her election and until his or her successor is duly elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal. Vacancies which may occur in between annual meetings, whether occurring by the death, resignation, retirement, disqualification or removal of any director, and newly created directorships shall be filled by the affirmative vote of the directors then holding office, even if less than a quorum, or a sole remaining director, and each director appointed to fill a vacancy or newly created directorship will hold office until the next annual meeting of stockholders and until his or her successor is duly elected and qualified, or until his or her earlier death, resignation, retirement, disqualification or removal.

If the stockholders do not approve this proposal, then our Board will remain classified, with each class of directors serving a term of three years, and the term of the Class II directors standing for election at the annual meeting, if elected, will expire at the annual meeting of stockholders scheduled to occur in 2018, and the amendment to the company's 2nd Amended and Restated Bylaws providing for, among other things, a majority voting standard for uncontested elections of directors, will not become effective.

Rationale for Declassification of the Board

Our Board is committed to strong corporate governance policies and regularly considers and evaluates a broad range of corporate governance issues affecting our company. Our Board recognizes that a classified structure may offer several advantages, such as promoting Board continuity and stability, enhancing long–term planning, ensuring directors serving on our Board have substantial knowledge of our company and increasing the protection against potentially abusive and unfair takeover tactics. Our Board also recognizes that a classified structure may appear to reduce directors' accountability to stockholders, since such a structure does not enable stockholders to express a view on each director's performance by means of an annual vote. Moreover, our Board recognizes that many institutional investors believe that the election of directors is the primary means for stockholders to hold management accountable. After consideration of the foregoing and other factors, our Board has determined that the benefits of providing for the annual election of all directors elected by our stockholders generally outweigh the reasons for keeping a classified board.

Our Board has unanimously determined that it is in the best interests of our company and stockholders to eliminate the classified board structure as proposed. Therefore, our Board has unanimously approved and declared advisable the proposed amendment to Article VII of our Charter. The proposed amendment to our Charter is set forth below, with additions indicated by italicized and underlined text and deletions indicated by strikethrough text.

ARTICLE VII BOARD OF DIRECTORS

The Board of Directors of the Corporation shall consist of at least one member and no more than nine members, each of whom shall be a natural person. The exact number of directors within the limitations specified in the preceding sentence shall be fixed from time to time in the manner provided in the Bylaws of the Corporation. *Prior to the annual meeting of stockholders in 2016, the* directors shall be divided into three classes designated as Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one–third of the number of directors constituting the entire Board of Directors. The term of office of the initial Class I directors will expire in 2008, the term of office of the initial Class II directors will expire in 2009 and the term of office of the initial Class III directors will expire in 2010. Initial class assignments shall be determined by the Board of Directors. ~~At each annual meeting of stockholders, successors to the directors whose terms expired at that annual meeting shall be elected for a three–year term. A director~~ *Beginning at the annual meeting of stockholders in 2016, each director (regardless of his/her prior Class) shall be elected at the annual meeting of stockholders, and* shall hold office *for a one-year term* until the *following* annual meeting ~~for the year in which his term expires~~ of stockholders and until his*/her* successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office. ~~Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of such director's predecessor.~~ *Each Class II director who stands for election at the annual meeting of stockholders in 2015 shall hold office until the following annual meeting of stockholders in 2016 and until his/her successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office.* Any vacancy on the Board of Directors, whether resulting from an increase in the number of directors or otherwise, shall be filled by the affirmative vote of a majority of the directors then holding office, even if less than a quorum, or by a sole remaining director.

Required Vote

The approval of the proposal to adopt the foregoing amendment to our Charter requires the affirmative vote of the holders of a majority in voting power of our outstanding common stock and Series A Preferred Stock as of the record date.

Recommendation

Our Board unanimously recommends a vote "FOR" approval of the proposal to adopt the foregoing amendment to our Charter providing for the declassification of our Board.

PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2015

The Audit Committee of our Board has appointed KPMG LLP to serve as our independent registered public accounting firm for the year ending December 31, 2015. KPMG has served in this capacity since June 20, 2011.

We are asking our stockholders to ratify the appointment of KPMG as our independent registered public accounting firm. Although ratification is not required by our bylaws or otherwise, our Board is submitting the appointment of KPMG to our stockholders for ratification as a matter of good corporate governance. If our stockholders fail to ratify the appointment of KPMG, the Audit Committee will consider whether it is appropriate and advisable to appoint another independent registered public accounting firm. Even if our stockholders ratify the appointment of KPMG, the Audit Committee in its discretion may appoint a different registered public accounting firm at any time if it determines that such a change would be in the best interests of our company and our stockholders.

Representatives of KPMG are expected to be present at the annual meeting and will have an opportunity to make a statement and to respond to appropriate questions.

Required Vote

The affirmative vote of shares of our common stock or preferred stock, voting together as a single class, representing a majority of votes cast thereon at the annual meeting or any adjournment or postponement thereof is required to approve Proposal 3.

Recommendation

Our Board unanimously recommends a vote "FOR" the ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2015.

PROPOSAL 4: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC. Accordingly, we are asking our stockholders to approve the following advisory resolution:

> "**RESOLVED**, that the stockholders of XPO Logistics, Inc. (the "Company") hereby approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in the Proxy Statement for the Company's 2015 Annual Meeting of Stockholders."

We encourage stockholders to review the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosures included in this proxy statement. As described in detail under the heading "Executive Compensation—Compensation Discussion and Analysis," we believe that our compensation programs appropriately reward executive performance and align the interests of our named executive officers and key employees with the long-term interests of our stockholders, while also enabling us to attract and retain talented executives.

This resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on our Board. Although non-binding, our Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

At the 2012 annual meeting of stockholders, our stockholders voted to approve an annual holding of the advisory vote on executive compensation. Accordingly, as previously disclosed by the company, we will hold future, non-binding, advisory votes on executive compensation on an annual basis until the next required non-binding, advisory vote on the frequency of the advisory vote on executive compensation.

Required Vote

This resolution, commonly referred to as a "say-on-pay" resolution, will be considered approved if it receives the affirmative vote of shares of common stock or preferred stock, voting together as a single class, representing a majority of votes cast thereon at the annual meeting or any adjournment or postponement of the annual meeting.

Recommendation

Our Board unanimously recommends a vote "FOR" approval of the advisory resolution to approve executive compensation set forth above.

OTHER MATTERS

We do not expect that any matter other than the foregoing proposals will be brought before the annual meeting. If, however, such a matter is properly presented at the annual meeting or any adjournment or postponement of the annual meeting, the persons appointed as proxies will vote as recommended by our Board or, if no recommendation is given, in accordance with their judgment.

AVAILABILITY OF ANNUAL REPORT AND PROXY STATEMENT

If you would like to receive a copy of our 2014 Annual Report or this proxy statement, please contact us at: Investor Relations, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831 or by telephone at (855) XPO-INFO (855-976-4636), and we will send a copy to you without charge.

A Note about Our Website

Although we include references to our website (www.xpo.com) throughout this proxy statement, information that is included on our website is not incorporated by reference into, and is not a part of, this proxy statement. Our website address is included as an inactive textual reference only.

We use our website as one means of disclosing material non-public information and for complying with our disclosure obligations under the SEC's Regulation FD. Such disclosures typically will be included within the Investors Relations section of our website. Accordingly, investors should monitor such section of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

Annex A

**CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
XPO LOGISTICS, INC.**

XPO Logistics, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation, as heretofore amended, is hereby amended by deleting the text of Article VII thereof in its entirety and replacing it with the following:

"Article VII
BOARD OF DIRECTORS

> The Board of Directors of the Corporation shall consist of at least one member and no more than nine members, each of whom shall be a natural person. The exact number of directors within the limitations specified in the preceding sentence shall be fixed from time to time in the manner provided in the Bylaws of the Corporation. Prior to the annual meeting of stockholders in 2016, the directors shall be divided into three classes designated as Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one–third of the number of directors constituting the entire Board of Directors. The term of office of the initial Class I directors will expire in 2008, the term of office of the initial Class II directors will expire in 2009 and the term of office of the initial Class III directors will expire in 2010. Initial class assignments shall be determined by the Board of Directors. Beginning at the annual meeting of stockholders in 2016, each director (regardless of his/her prior Class) shall be elected at the annual meeting of stockholders, and shall hold office for a one-year term until the following annual meeting of stockholders and until his/her successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office. Each Class II director who stands for election at the annual meeting of stockholders in 2015 shall hold office until the following annual meeting of stockholders in 2016 and until his/her successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors, whether resulting from an increase in the number of directors or otherwise, shall be filled by the affirmative vote of a majority of the directors then holding office, even if less than a quorum, or by a sole remaining director."

SECOND: The Board of Directors of the Corporation has adopted a resolution approving and declaring advisable the amendment set forth in this Certificate of Amendment in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

THIRD: The stockholders of the Corporation, at a meeting duly called and held pursuant to Section 222 of the General Corporation Law of the State of Delaware, duly adopted the amendment set forth in this Certificate of Amendment in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: This amendment set forth in this Certificate of Amendment was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

[Signature on following page]

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its duly authorized officer this __ day of __________, 2015.

XPO Logistics, Inc.

By: ______________________________________
Name:
Title:

Annex B

TEXT OF AMENDMENTS TO THE 2ND AMENDED AND RESTATED BYLAWS
OF
XPO LOGISTICS, INC.

The proposed amendments to our Bylaws are set forth below, with additions indicated by italicized and underlined text and deletions indicated by strikethrough text. The amendment to the Bylaws will not become effective unless Proposal 2 to amend our Charter is adopted.

SECTION 2. QUALIFICATION; ELECTION; TERM. None of the directors need to be a stockholder of the Corporation or a resident of the State of Delaware. ~~The Directors shall be divided into three classes designated as Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the number of Directors constituting the entire Board of Directors. The term of office of the initial Class I Directors will expire in 2008, the term of office of the initial Class II Directors will expire in 2009 and the term of office of the initial Class III Directors will expire in 2010. At each annual meeting of stockholders, successors to the Directors whose terms expired at that annual meeting shall be elected for a three-year term. A~~ *Each director shall be elected at the annual meeting of stockholders and* hold office until the *next* annual meeting ~~for the year in which his term expires~~ and until his successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office. *Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances and except in the case of a "contested election,"* directors shall be elected by ~~plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the election of Directors at any annual or special meeting of stockholders~~. *the affirmative vote of a majority of the votes cast at a stockholders meeting for the election of directors at which a quorum is present. For purposes of this Article III, Section 2, a "majority of the votes cast" means that the number of shares voted "for" a nominee exceeds the shares voted "against" the nominee, and abstentions and broker non-votes shall not be deemed to be votes cast for purposes of tabulating such vote. For purposes of this Article III, Section 2, a "contested election" shall mean any election of directors in which the number of nominees to be considered at the meeting exceeds the number of directors to be elected, with the determination thereof being made by the Secretary as of the close of the applicable notice of nomination period set forth in Article II, Section 12 of these Bylaws or under applicable law, based on whether one or more notice(s) of nomination were timely filed in accordance with said Section 12; provided, however, that the determination that an election is a "contested election" shall be determinative only as to the timeliness of a notice of nomination and not otherwise as to its validity. If by the day before the Corporation commences mailing (or, if furnished to stockholders electronically, commences electronic distribution or accessibility of) its notice of meeting for the meeting at which the nomination would be considered, one or more notices of nomination are withdrawn such that the number of nominees to be considered at the meeting no longer exceeds the number of directors to be elected, the election shall not be considered a contested election, but in all other cases, once an election is determined to be a contested election, directors shall be elected by a plurality of the votes cast at the meeting at which a quorum is present.*

If a nominee for director is not elected and the nominee is an incumbent director and no successor has been elected at an annual meeting, the director shall promptly tender his resignation to the Board of Directors, subject to acceptance by the Board of Directors. The committee delegated responsibility for director nominations and governance matters shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors will act on the *tendered resignation, taking into account the recommendation of any committee delegated responsibility for director nominations and governance matters, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. Any committee in making its recommendation and the Board of Directors in making its decision may each consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the committee or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board of Directors, such director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier death, resignation, retirement, disqualification or removal from office. If a director's resignation is accepted by the Board of Directors pursuant to this Section 2 of Article III of these Bylaws, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors may, in its sole discretion, fill the resulting vacancy pursuant to the provisions of Article III, Section 5 of these Bylaws or may decrease the size of the Board of Directors pursuant to the provisions of Article III, Section 3 of these Bylaws.*

SECTION 4. REMOVAL. *Except as otherwise provided by the Certificate of Incorporation or applicable law,* ~~A~~*a*ny director may be removed ~~only for~~ *with or without* cause~~, at any special meeting of stockholders~~ by the affirmative vote of ~~the holders of~~ a majority in ~~number~~*voting power* of ~~all~~*the* outstanding ~~voting~~ stock entitled to vote *on the election of such director*~~; provided that notice of the intention to act upon such matter has been given in the notice calling such meeting~~.

SECTION 5. VACANCIES. ~~If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain, as nearly as possible, an equal number of Directors in each class. In the event an increase or decrease makes it impossible to maintain an equal number of Directors in each class, increases shall be allocated to the class or classes with the longest remaining term, and decreases shall be allocated to the class with the shortest remaining term.~~ Any director elected to fill a vacancy ~~resulting from an increase in such class~~ shall hold office ~~for a term that shall coincide with the remaining term of that class.~~ *until the next annual meeting of stockholders and until his successor shall be elected and qualified, subject, however, to such director's prior death, resignation, retirement, disqualification or removal from office*. In no event will a decrease in the number of directors ~~result in the elimination of an entire class of Directors, cause any class to contain a number of Directors two or more greater than any other class, or~~ shorten the term of any incumbent director. ~~Any Director elected to fill a vacancy not resulting from an increase in the number of Directors shall have the same remaining term as that of his or her predecessor.~~ Any vacancy on the Board of Directors, whether resulting from an increase in the number of directors or otherwise, shall be filled by the affirmative vote of a majority of the directors then holding office, even if less than a quorum, or by a sole remaining director.

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

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2014

OR

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

For the transition period from __________ to __________

Commission File Number: 001-32172

XPO Logistics, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**03-0450326** **(I.R.S. Employer Identification No.)**

Five Greenwich Office Park
Greenwich, Connecticut 06831
(Address of principal executive offices)

(855) 976-4636
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock, par value $.001 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ☒

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the registrant's common stock, par value $0.001 per share, held by non-affiliates of the registrant was $1,505,183,527 as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of $28.62 per share on the NYSE on that date.

As of February 20, 2015, there were 79,367,271 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2015 Annual Meeting of Stockholders (the "Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement is not deemed to be filed as part hereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

XPO LOGISTICS, INC.
FORM 10-K—FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

This Annual Report on Form 10-K is for the year ended December 31, 2014. The Securities and Exchange Commission (the "SEC") allows us to incorporate by reference information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Annual Report.

PART I

ITEM 1. *BUSINESS*

General

XPO Logistics, Inc., a Delaware corporation, together with its subsidiaries ("XPO" or the "Company"), is a leading asset-light provider of third-party logistics services. Shippers and carriers outsource their transportation logistics to us, and we facilitate supply chain solutions.

As a third-party, asset-light logistics provider, we utilize our relationships with subcontracted transportation providers—typically independent contract motor carriers, railroads and charter aircraft owners for domestic loads, and air and ocean carriers for international shipments. As of December 31, 2014, we had approximately 4,100 trucks under contract to our intermodal, expedited and last mile business units. We have access to additional transportation capacity through our relationships with over 30,000 other carriers.

In September 2011, following the equity investment in the Company led by Jacobs Private Equity, LLC, we began implementing our strategy to leverage our strengths, with the goals of significant growth and value creation. Through the disciplined execution of our strategy, we have built leading positions in some of the fastest-growing sectors of transportation logistics in North America. As of December 31, 2014, we were:

- The third largest freight brokerage firm and a Top 50 logistics company;
- The largest provider of last mile logistics for heavy goods and a leading last mile provider to the e-commerce industry;
- The largest manager of expedited shipments through our expedited ground, air charter and web-based managed transportation services;
- The third largest provider of intermodal services; and
- A leading provider of highly engineered, technology-enabled contract logistics services for large manufacturers and service companies.

We believe that our broad service offerings give us a competitive advantage, as many customers, particularly large shippers, increasingly seek to do business with fewer, larger third-party logistics providers that offer deep capacity across a wide range of services. Our services are provided by a well-trained employee base that understands the importance of providing world-class service. We currently have more than 10,000 employees, all non-union.

As of December 31, 2014, our Transportation and Logistics segments operated from 197 locations in North America, Europe and Asia including: 178 Company-owned branches and 19 independent agent offices. See below for a map of our locations over North America.

XPO Logistics Footprint in North America as of December 31, 2014

Our Business Units

As of December 31, 2014, our activities consisted of two business segments. Our Transportation segment consists of our truck brokerage, intermodal, last mile, expedited transportation and freight forwarding businesses. Our Logistics segment consists of our contract logistics business. We provide financial information for our segments in Note 16 to our Consolidated Financial Statements. The differences in our operating and reportable segments from our last annual report are related to an internal management reorganization and acquisitions during the year ended December 31, 2014. Our previous Freight Brokerage, Expedited Transportation and Freight Forwarding reportable segments have been consolidated into the Transportation operating and reportable segment while our acquisition of New Breed (previously the Contract Logistics reportable segment) represents the Logistics operating and reportable segment.

Transportation

Our Transportation segment provides transportation brokerage services to large multi-national, medium-sized and small business customers where the Company manages all aspects of the services offered including selecting qualified carriers/vessels, negotiating rates, tracking shipments, billing and resolving disputes. Transportation offers a comprehensive suite of services with the common goal of facilitating the movement of goods using proprietary transportation management technology and third-party carriers. Transportation includes our truck brokerage, intermodal, last mile, expedited transportation and freight forwarding operations as further described below.

Truck Brokerage

Our XPO Logistics truck brokerage business is a non-asset business that places shippers' freight with qualified carriers, primarily trucking companies. This freight is typically classified as truckload ("TL") or less than-truckload ("LTL") shipments. Customers offer loads to us via telephone, fax, email, electronic data interchange and the Internet on a daily basis. The majority of these services are priced on a transactional or spot market basis for both customers and carriers. In some cases, we contractually agree to handle a significant portion of a customer's freight at pre-determined rates for specific origin and destination parameters. We collect payments from our customers and pay the carriers for transporting customer loads.

From 2011 to 2014, we grew our truck brokerage business from a single location to the third largest truck brokerage firm based on net revenues in North America in 2014. We have continued to grow our truck brokerage operations, and during 2011 through 2014, we made six brokerage acquisitions and established 13 cold-start sales office locations. We believe that we have a substantial opportunity to continue to scale up the business given that, based on our revenue for the quarter ended December 31, 2014, we currently serve less than 1.5% of the estimated addressable truck brokerage market.

Intermodal

Our XPO Logistics intermodal business is asset-light; it provides container capacity, rail brokerage, local drayage (also called cartage), on-site operational services and door-to-door shipment management. We contract with railroads to provide the long-haul portion of the shipment of freight in containers, and we contract with trucking companies for the local pick-up and delivery legs of the intermodal freight movement. We also provide customized electronic tracking and analysis of market prices and negotiated rail, truck and intermodal rates, in order to determine the optimal transportation routes.

Since our March 2014 acquisition of Pacer International, Inc. and its subsidiaries ("Pacer"), we have offered door-to-door intermodal services to a wide range of customers in North America, including large industrial and retail shippers, transportation intermediaries such as intermodal marketing companies, and steamship lines. The Pacer acquisition made us the third largest provider of intermodal services in North America, and a leading provider of intermodal services in the fast-growing cross-border Mexico sector.

Last Mile

Our XPO Last Mile business is a leading non-asset provider of last mile logistics in North America and the largest facilitator of last mile deliveries for heavy goods. Last mile delivery comprises the final stage of the delivery from a local distribution center or retail store to the end-consumer's home or business. This is a fast growing sector of transportation logistics that serves blue chip retailers, e-commerce companies and smaller retailers with limited in-house trucking capabilities.

Important aspects of last mile service are responsiveness to seasonal demand, economies of scale, and an ability to maintain a consistently high quality of customer experience. In addition, the last mile process often requires incremental services, including pre-scheduled delivery times, unpacking, assembly, utility connection, installation or removal of an old product. These additional services are commonly referred to as white-glove services. We use our proprietary technology platforms to collect customer feedback, monitor carrier performance, manage capacity and communicate during narrow windows of service to ensure an end-consumer experience that protects the brand equity of our customers.

In August 2013, we acquired 3PD Holding, Inc. ("3PD"), which made us a leader in the heavy goods sector of last mile logistics. In November 2013, we expanded our last mile capabilities with the acquisition of Optima Service Solutions, LLC ("Optima"), which uses a contractual network of independent carriers and technicians to facilitate last mile delivery and installation of large appliances and electronics. In June 2014, we rebranded our last mile delivery logistics business to XPO Last Mile. In July 2014, we further expanded our last mile operations with the acquisition of Simply Logistics Inc d/b/a Atlantic Central Logistics ("ACL"), which focuses on serving the e-commerce channel through 14 East Coast locations. In February 2015, we further expanded our last mile logistics operations through the acquisition of UX Specialized Logistics ("UX"), a North American provider of last mile logistics services for major retail chains and e-commerce companies.

Expedited Transportation

Our expedited transportation group is predominantly a non-asset based service provider—substantially all of the transportation equipment used in its operations is provided by independent owner-operators who own one piece of equipment, or by independent owners of multiple pieces of equipment who employ multiple drivers, commonly referred to as fleet owners. We are focused on developing strong, long-term relationships with these fleet owners and incentivizing them to furnish their capacity to us on an exclusive basis.

Our expedited transportation group operates as XPO Express, XPO NLM and XPO Air Charter, and is the largest manager of expedited shipments in North America. Expedited transportation services can be characterized as time-critical, time-sensitive or high priority freight shipments, many of which have special handling needs. These urgent needs typically arise due to tight supply chain tolerances, interruptions or changes in the supply chain or the failure of another mode of transportation within the supply chain.

Expedited shipments are predominantly direct transit movements offering door-to-door service within tightly prescribed time parameters. Customers request our services typically on a per-load transaction basis, with only a small percentage of loads being scheduled for future delivery dates. We operate an ISO 9001:2008 certified 24-hour, seven-day-a-week call center that gives our customers on-demand communications and status updates relating to their shipments.

XPO Express facilitates the over-the-road movement of urgent freight and is the largest component of our expedited transportation group. XPO Air Charter arranges point-to-point air charter services and combines them with ground transportation to achieve the most expedient delivery time. In the year ended December 31, 2014, XPO NLM's proprietary online bid technology managed more than $750 million of gross transportation expenditures. Our expedited services are supported by our freight forwarding business, which can arrange shipments on demand as part of multi-modal freight movements.

Freight Forwarding

Our XPO Global Logistics freight forwarding business operates as a non-asset based logistics provider for domestic and international shipments. We provide time-critical, time-sensitive and cost-sensitive services for global freight movements, domestic U.S. and cross-border North America movements, as well as value-added and customized services such as asset retrieval.

XPO Global Logistics provides its services through a network of relationships with ground, air and ocean carriers and a network of Company-owned and agent-owned locations. Our freight forwarding capabilities are not restricted by size, weight, mode or location, and therefore are potentially attractive to a wide market base.

Our subsidiary, Ocean World Lines, Inc. ("OWL"), operates as a non-vessel operating common carrier ("NVOCC") and transports our customers' freight by contracting with the actual vessel operator. We consolidate the freight bound for a particular destination from a common shipping point, prepare required shipping documents, arrange for any inland transportation, deliver the freight to the vessel operator and arrange transportation to the final destination. At the destination port, acting directly or through our agent, we deliver the freight to the receivers of the goods, which may include customs clearance and inland freight transportation to the final destination.

As a customs broker, we are licensed by the U.S. Customs and Border Protection Service to act on behalf of importers in handling customs formalities and other details critical to the importation of goods. We prepare and file formal documentation required for clearance through customs agencies, obtain customs bonds, facilitate the payment of import duties on behalf of the importer, arrange for the payment of collect freight charges, assist with determining and obtaining the best commodity classifications for shipments and assist with qualifying for duty drawback refunds. We provide customs brokerage services to direct domestic importers in connection with many of the shipments that we handle as an NVOCC, as well as shipments arranged by other freight forwarders, NVOCCs or vessel operating common carriers.

Logistics

On September 2, 2014, the Company acquired New Breed Holding Company ("New Breed"), a preeminent U.S. provider of asset-light based, complex, technology-enabled contract logistics for large multi-national and medium-sized corporations and government agencies.

New Breed's customers primarily operate in industries with high-growth outsourcing opportunities, such as technology, telecom, e-commerce, aerospace and defense, medical equipment and select areas of manufacturing. These customers have demanding requirements for quality standards, real-time data visibility, customer service, handling of high-value products, high transaction volumes with large numbers of SKUs, and/or time-assured deliveries.

With our acquisition of New Breed, we design, implement, operate and optimize mission-critical outsourced supply chains for leading corporations. Through New Breed's supply chain technology and operational expertise, we offer services solving complex supply chain challenges and create and implement transformative solutions for customers, while reducing their operating costs and inventory levels and improving their customer service. We believe that the combination of New Breed's information technology ("IT") workforce with our own—resulting in over 600 dedicated IT professionals focused on customer-facing innovations—advances our competitive advantage across all our lines of business.

Our Strategy

Our strategy has three main components:

- ***Acquisitions.*** We take a disciplined approach to acquisitions: we look for companies that are highly scalable and are a good strategic fit with our core competencies. When we acquire a company, we seek to integrate it with our operations by moving the acquired operations onto our technology platform that connects our broader organization. We gain more carriers, customers, lane histories and pricing histories with each acquisition, and some acquisitions add complementary services. We use these resources company-wide to buy transportation more efficiently and to cross-sell a more complete supply chain solution to customers. In 2012, we completed the acquisition of four non-asset, third-party logistics companies. We acquired another six companies in 2013, including 3PD, the largest non-asset, third-party provider of last mile logistics for heavy goods in North America, and National Logistics Management ("NLM"), the largest provider of web-based expedited transportation management in North America. On March 31, 2014, we acquired Pacer, the third largest provider of intermodal transportation services in North America. On July 28, 2014, we acquired last mile logistics company ACL. We completed our acquisition of contract logistics company New Breed on September 2, 2014. On February 9, 2015, we acquired substantially all of the assets of last mile logistics company UX Specialized Logistics ("UX"). We have an active pipeline of key targets, and we plan to continue acquiring quality companies that fit our strategy for growth.
- ***Cold-starts.*** We believe that cold-starts can generate high returns on invested capital because of the relatively low amount of start-up capital—generally one million dollars or less for a brokerage coldstart—and the large component of variable-based incentive compensation. Given this model, cold-starts of any size can generate high returns on invested capital. We plan to continue to open cold-start locations where we see the potential for strong returns.
- ***Optimization of operations.*** We are continuing to optimize our existing operations by growing our sales force, implementing advanced information technology, cross-selling our services and leveraging our shared capacity. We have a disciplined framework of processes in place for the recruiting, training and mentoring of newly hired employees, and for marketing to the hundreds of thousands of prospective customers who can use our services. Our network is supported by our proprietary information technology that includes robust sales, service, carrier procurement and

customer experience management capabilities, as well as benchmarking and analysis. Most important to our growth, we are developing a culture of passionate, world-class service for customers.

Information Systems and Intellectual Property

One of the ways we empower our employees to deliver world-class service is through our information technology. We believe that technology is a big differentiator in our industry. We have an IT team of over 600 talented professionals that focuses solely on driving innovation and the effectiveness of our systems.

In our Transportation segment, we have been making a significant investment in information technology. In our truck brokerage business, we have developed a proprietary software solution that provides actionable pricing information as well as cost effective, timely and reliable access to carrier capacity, which we believe gives us an advantage versus our competitors. In our last mile business, our proprietary software provides real-time workflow visibility and customer experience management for superior satisfaction ratings. Our XPO NLM business manages more than $750 million of gross transportation spend using our proprietary online bidding software where carriers bid on loads that are awarded electronically. In our expedited transportation business, we utilize satellite tracking and communication units on our independently-contracted vehicles, which provides our customers with real-time electronic updates.

We have over 200 IT projects currently planned for launch in 2015, including the planned release of our proprietary Rail Optimizer system for our intermodal business, currently in beta test. This software is designed to optimize all aspects of the intermodal network, including shipment management, capacity flow and asset management, market-based pricing and shipment execution with our rail providers.

In 2014, our acquisition of New Breed included proprietary technology that enables sophisticated contract logistics solutions for large multi-national and medium-sized corporations and government agencies with complex supply chain requirements. This software supports services such as omni-channel distribution, reverse logistics, transportation management, freight bill audit and payment, lean manufacturing support, aftermarket support and supply chain optimization.

Technology represents one of our Company's largest categories of investment within our annual capital expenditure budget, reflecting our belief that the continual enhancement of our technology platforms is critical to our success. By continuing to develop our technology solutions, we plan to improve our productivity through automation and process optimization, and to be in position to effectively integrate our anticipated acquisitions and leverage our scale across XPO.

We rely on a combination of trademarks, copyrights, trade secrets, and nondisclosure and non-competition agreements to establish and protect our intellectual property and proprietary technology. Additionally, we have numerous registered trademarks, trade names, and logos in the United States and international locations.

Customers, Sales and Marketing

Our Company provides services to a variety of customers ranging in size from small, entrepreneurial organizations to *Fortune 500* companies. During 2014, our business units served more than 15,000 different customers. Approximately 16.1% of revenue for the year ended December 31, 2014 was attributable to our top five clients for such period, with our largest customer accounting for approximately 5.1% of our revenue during such period.

Our customers are engaged in a wide range of industries, including manufacturing, industrial, retail, technology, aerospace, commercial, life sciences and government sectors. In addition, we serve third-party logistics providers, who themselves serve a multitude of customers and industries. Our third-party logistics provider customers vary in size from small, independent, single-facility organizations to global logistics companies. Our truck brokerage, last mile, intermodal, and expedited services are marketed to the United States, Canada and Mexico while our freight forwarding business serves these same North American markets, as well as global markets. Our contract logistics services are marketed primarily in the United States.

To serve our customers, we maintain a significant staff of sales representatives and related support personnel. In addition to our own sales staff and locations, our network of independent agents manages sales relationships within their exclusive markets in our freight forwarding business.

Our sales strategy is twofold: we seek to establish long-term relationships with new accounts and to increase the amount of business generated from our existing customer base. These objectives are served by our position as one of the largest third-party logistics providers in North America and by our ability to cross-sell a range of services. We believe that these attributes are competitive advantages in the transportation logistics industry. We are focused on raising our profile in front of every prospective customer in this sector by deploying a highly experienced, dedicated team that sells to the 2,000 largest shippers, which we have identified as strategic accounts, and the next largest 1,600 shippers, identified as national accounts. Additionally, our branch sales teams pursue the hundreds of thousands of small to medium-sized shippers operating in North America. See Note 16 to the Consolidated Financial Statements for further geographic information.

Competition

The transportation logistics industry is intensely competitive with thousands of transportation companies competing in the domestic and international markets. Our competitors include local, regional, national and international companies with the same services that our business units provide. Due in part to the fragmented nature of the industry, our business units do not operate from a position of dominance, and therefore must strive daily to retain existing business relationships and forge new relationships.

We compete on service, reliability, scope of operations, information technology capabilities and price. Some competitors have larger customer bases, significantly more resources and more experience than we do. The health of the transportation logistics industry will continue to be a function of domestic and global economic growth. However, we believe we will benefit from a long-term outsourcing trend that should continue to enable certain sectors of transportation logistics, particularly the freight brokerage sector, to grow at rates that outpace growth in the macro-environment.

Regulation

Our operations are regulated and licensed by various governmental agencies in the United States and in the other countries where we operate. Such regulations impact us directly and indirectly by regulating third-party transportation providers we use to transport freight for our customers.

Regulation affecting Motor Carriers, Owner Operators and Transportation Brokers. Our subsidiaries that operate as motor carriers have licenses to operate as motor carriers from the Federal Motor Carrier Safety Administration (“FMCSA”) of the U.S. Department of Transportation (“DOT”). Our subsidiaries acting as property brokers have property broker licenses from the FMCSA. Our motor carrier subsidiaries and the third-party motor carriers we engage in the United States must comply with the safety and fitness regulations of the DOT, including those relating to drug- and alcohol-testing, hours-of-service, records retention, vehicle inspection, driver qualification and minimum insurance requirements. Weight and equipment dimensions also are subject to government regulations. We also may become subject to new or more restrictive regulations relating to emissions, drivers’ hours-of-service, independent contractor eligibility requirements, onboard reporting of operations, air cargo security and other matters affecting safety or operating methods. Other agencies, such as the U.S. Environmental Protection Agency (“EPA”), the Food and Drug Administration, the California Air Resources Board, and U.S. Department of Homeland Security (“DHS”), also regulate our equipment, operations and independent contractor drivers. We and the third-party carriers we use are also subject to a variety of state vehicle registration and licensing requirements.

The FMCSA has introduced the Compliance Safety Accountability program ("CSA"), which uses a Safety Management System ("SMS") to rank motor carriers on seven categories of safety-related data, known as Behavioral Analysis and Safety Improvement Categories, or "BASICs," which data, it is anticipated, will eventually be used for determining a carrier's DOT safety rating under revisions to existing Safety Fitness Determination ("SFD") regulations. As a result, our fleet could be ranked poorly as compared to our competitors, and the safety ratings of our motor carrier operations could be adversely impacted. Our network of third-party transportation providers may experience a similar result. A reduction in safety and fitness ratings may result in difficulty attracting and retaining qualified independent contractors and could cause our customers to direct their business away from us and to carriers with more favorable CSA scores, which would adversely affect our results of operations.

In the past, the subsidiaries through which we operate our expedited and intermodal drayage operations have exceeded the established intervention threshold in certain of the BASICs, and we may exceed those thresholds in the future. Depending on our ratings, we may be prioritized for an intervention action or roadside inspection, either of which could adversely affect our results of operations, or customers may be less likely to assign loads to us. We cannot predict the extent to which CSA requirements or safety and fitness ratings under SMS or SFD could adversely affect our business, operations or ability to retain compliant drivers, or those of our subsidiaries, independent contractors or third-party transportation providers.

The FMCSA has proposed new rules that would require nearly all carriers, including us, to install and use electronic logging devices ("ELD"). The proposed regulations provide for the installation and use of ELDs to be required two years after publication of the final regulations. ELD installation will increase costs for, and may not be well-received by, independent contractors.

Our operations serving ports and rail yards are subject to various regulatory initiatives such as the Ports of Los Angeles and Long Beach clean truck program effective in 2009, California Air Resources Board ("CARB") drayage truck regulation effective in 2010 and the Port of Oakland truck ban effective in 2010, each of which banned trucks that did not meet certain emissions standards. To comply with these requirements, our motor carrier subsidiaries providing intermodal drayage services in California have implemented programs to source truck capacity from independent owner operators that meet these emissions requirements. The State of California also has required diesel tractors as well as 53-foot long and other trailers operated in the state to satisfy certain fuel efficiency and other performance requirements by compliance target dates occurring between 2011 and 2023. Compliance with California's and ports' regulations has increased rates payable to owner operators operating in California and new tractor costs, might increase the costs of new trailers operated in California, might require the retrofitting of pre-2011 model year trailers operated in California, and could diminish equipment productivity and increase operating expenses.

Regulations affecting our Subsidiaries Providing Ocean and Air Transportation. RF International, Ltd., a Pacer subsidiary ("RFI"), is licensed as a customs broker by U.S. Customs and Border Protection ("CBP") of DHS in each United States customs district in which it does business. All United States customs brokers are required to maintain prescribed records and are subject to periodic audits by CBP. In other jurisdictions in which we perform customs brokerage services, our operations are licensed, where necessary, by the appropriate governmental authority.

Our subsidiaries offering expedited air charter transportation are subject to regulation by the Transportation Security Administration ("TSA") of DHS regarding air cargo security for all loads, regardless of origin and destination. XPO Global Logistics ("XGL"), RFI and XPO Air Charter also are regulated as "indirect air carriers" by the DHS and TSA. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry. We must actively monitor our compliance with such agency requirements to ensure that we have satisfactorily completed the security requirements and qualifications and implemented the required policies and procedures. These agencies generally require companies to fulfill these qualifications prior to transacting various types of business. Failure to do so could result in penalties and fines. The air cargo industry is also subject to regulatory and legislative actions that could affect the economic conditions within the industry by requiring changes in operating practices or influencing the demand for and the costs of providing services to clients. We cannot predict the extent to which any such regulatory or legislative actions could adversely affect our business and operations, but we strive to comply with and satisfy agency requirements.

For our international operations, XGL and RFI are members of the International Air Transportation Association ("IATA"), a voluntary association of airlines and forwarders that outlines operating procedures for freight forwarders acting as agents or third-party intermediaries for its members. A substantial portion of our international air freight business is completed with other IATA members.

For our international oceanic freight forwarding business, XGL, RFI and OWL, are registered as an Ocean Transportation Intermediary ("OTI") by the U.S. Federal Maritime Commission ("FMC"), which establishes the qualifications, regulations and bonding requirements to operate as an OTI for businesses originating and terminating in the United States. XGL and OWL are also licensed NVOCCs and ocean freight forwarders.

Our international freight forwarder operations subject us to regulations of the U.S. Department of State, U.S. Department of Commerce and the U.S. Department of Treasury and to various laws and regulations of the other countries where we operate. Regulations cover matters such as what commodities may be shipped to what destination and to what end-user, unfair international trade practices, and limitations on entities with which we may conduct business.

Classification of Independent Contractors. Tax and other federal and state regulatory authorities as well as private litigants continue to assert that independent contractor drivers in the trucking industry are employees rather than independent contractors. Federal legislators have introduced legislation in the past to make it easier for tax and other authorities to reclassify independent contractors as employees, including legislation to increase the recordkeeping requirements for employers of independent contractors and to heighten the penalties of employers who misclassify their employees and are found to have violated employees' overtime and/or wage requirements. Additionally, federal legislators have sought to abolish the current safe harbor allowing taxpayers meeting certain criteria to treat individuals as independent contractors if they are following a long-standing, recognized practice. Federal legislators also sought to expand the Fair Labor Standards Act to cover "non-employees" who perform labor or services for businesses, even if the "non-employees" are properly classified as independent contractors; require taxpayers to provide written notice to workers based upon their classification as either an "employee" or a "non-employee"; and impose penalties and fines for violations of the notice requirements or "employee" or "non-employee" misclassifications. Some states have put initiatives in place to increase their revenues from items such as unemployment, workers' compensation and income taxes, and a reclassification of independent contractors as employees would help states with this initiative. Taxing and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. If our independent contractor drivers are determined to be our employees, we would incur additional exposure under some or all of the following: federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

Environmental Regulations. Our facilities and operations and our independent contractors are subject to various environmental laws and regulations dealing with the hauling, handling and disposal of hazardous materials, emissions from vehicles, engine-idling, fuel spillage and seepage, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. We have instituted programs to monitor and control environmental risks and maintain compliance with applicable environmental laws and regulations. We may be responsible for the cleanup of any spill or other release involving hazardous materials caused by our operations or business. In the past, we have been responsible for the costs of cleanup of diesel fuel spills caused by traffic accidents or other events, and none of these incidents materially affected our business or operations. We generally transport only hazardous materials rated as low-to-medium-risk, and a small percentage of our total shipments contain hazardous materials. We believe that our operations are in substantial compliance with current laws and regulations and do not know of any existing environmental condition that would reasonably be expected to have a material adverse effect on our business or operating results. We also do not expect to incur material capital expenditures for environmental controls in 2015. Future changes in environmental regulations or liabilities from newly discovered environmental conditions or violations (and any associated fines and penalties) could have a material adverse effect on our business, competitive position, results of operations, financial condition or cash flows. Federal and state governments have also proposed environmental legislation that could, among other things, potentially limit carbon, exhaust and greenhouse gas emissions. If enacted, such legislation could also result in higher new tractor and trailer costs, reduced productivity and efficiency, and increased operating expenses, all of which could adversely affect our results of operations.

Risk Management and Insurance

We generally require carriers that we engage to have at least $1 million of automobile liability insurance and $100,000 of cargo insurance, or up to $250,000 in the case of our last-mile and intermodal contract carriers. We require motor carriers we engage to enter into a written agreement with us and to meet safety and performance qualification standards. We also require motor carriers to have workers compensation and other insurance as required by law in connection with the specific tasks they are undertaking. Railroads, which are largely self-insured, provide limited common carrier cargo liability protection, generally up to $250,000 per container.

In our truck and intermodal brokerage operations, we generally are not liable for damage to our customers' cargo or in connection with damage arising from the provision of transportation services. However, in some instances, we agree to assume cargo and other liability. While we endeavor to limit this exposure to matters arising due to our negligence or misconduct, or to cap our exposure at a stated maximum dollar amount, we are not always able to do so.

With respect to our expedited transportation and intermodal drayage operations where we perform services as a licensed motor carrier and in our freight forwarding and last-mile delivery logistics businesses, we have primary liability to our customer for cargo loss and damage and for certain liabilities caused by our independent contractors and contracted carriers. Accordingly, liability claims may be asserted against us for the actions of transportation providers we engage and their employees or independent contractor drivers, or for our actions in retaining them. Claims against us may exceed the amount of our insurance coverage or may not be covered by insurance at all.

We maintain liability insurance policies to protect us against losses that may not be recovered from the responsible contracted carrier. Our last-mile delivery logistics operations may involve installation of appliances in customers' homes involving water, gas or electric connections. We maintain commercial general liability insurance coverage to protect us from claims related to these services. Our warehouse operations maintain legal liability insurance to protect us against claims arising from damage or loss to goods stored in our warehouses. We also maintain property damage insurance to protect us against damage to our property. Our terms of carriage on international and ocean shipments limit our liability consistent with industry standards. We offer our NVOCC and freight forwarding customers the option to purchase all risk cargo insurance for their shipments. We also maintain insurance for commercial automobile liability, truckers' commercial automobile liability, commercial general liability, employers' liability and umbrella and excess umbrella liability, with coverage limits and subject to self-insured retention levels that we believe are reasonable given the varying historical frequency, severity and timing of claims. However, we cannot provide assurance that our insurance coverage will effectively protect us in the event of claims made against us.

Seasonality

Our revenues and profitability are typically lower for the first quarter of the calendar year relative to our other quarters. We believe this is due in part to the post- holiday reduction in demand experienced by many of our customers, which leads to more capacity in the non- expedited and service-critical markets and, in turn, less demand for expedited and premium shipping services. In addition, the productivity of our independent contractors and transportation providers generally decreases during the winter season because inclement weather impedes operations. It is not possible to predict whether the historical revenue and profitability trends will occur in future periods.

Employees

As of December 31, 2014, we had approximately 10,000 full-time and part-time employees, none of whom were covered by a collective bargaining agreement. We recognize our trained staff of employees as one of our most critical resources and acknowledge the recruitment, training and retention of qualified employees as essential to our ongoing success. We believe that we have good relations with our employees.

Executive Officers of the Registrant

We provide below information regarding each of our executive officers.

Name	Age	Position
Bradley S. Jacobs	58	Chairman of the Board and Chief Executive Officer
Troy A. Cooper	45	Chief Operating Officer
John J. Hardig	50	Chief Financial Officer
Gordon E. Devens	46	Senior Vice President and General Counsel
Scott B. Malat	38	Chief Strategy Officer
Mario A. Harik	34	Chief Information Officer

Bradley Jacobs has served as our Chief Executive Officer and Chairman of the board of directors since September 2011. Mr. Jacobs is also the managing director of Jacobs Private Equity, LLC, which is our largest stockholder. He has led two public companies: United Rentals, Inc. (NYSE: URI), which he co-founded in 1997, and United Waste Systems, Inc., founded in 1989. Mr. Jacobs served as chairman and chief executive officer of United Rentals for its first six years and as executive chairman for an additional four years. He served eight years as chairman and chief executive officer of United Waste Systems. Previously, Mr. Jacobs founded Hamilton Resources (UK) Ltd. and served as its chairman and chief operating officer. This followed the co-founding of his first venture, Amerex Oil Associates, Inc., where he was chief executive officer.

Troy Cooper has served as our Chief Operating Officer since May 2014. Mr. Cooper joined our company in September 2011 as Vice President—Finance, and has held positions of increasing responsibility since then. Mr. Cooper is responsible for the day-to-day operations and profit and loss performance of the Company. Mr. Cooper was most recently with United Rentals, Inc., where he served as vice president—group controller responsible for field finance functions. Previously, he held controller positions with United Waste Systems, Inc. and OSI Specialties, Inc. (formerly a division of Union Carbide, Inc.). Mr. Cooper began his career in public accounting with Arthur Andersen and Co. and has a degree in accounting from Marietta College.

John Hardig has served as our Chief Financial Officer since February 2012. Mr. Hardig most recently served as managing director for the Transportation & Logistics investment banking group of Stifel Nicolaus Weisel from 2003 until joining our company. Prior to that, Mr. Hardig was an investment banker in the Transportation and Telecom groups at Alex. Brown & Sons (now Deutsche Bank). Mr. Hardig holds a master of business administration degree from the University of Michigan Business School and a bachelor's degree from the U.S. Naval Academy.

Gordon Devens has served as our Senior Vice President and General Counsel since November 2011. Mr. Devens was most recently vice president—corporate development with AutoNation, Inc., where he was previously vice president—associate general counsel. Earlier, he was an associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, where he specialized in mergers and acquisitions and securities law. Mr. Devens holds a doctorate of jurisprudence and a bachelor's degree in business administration from the University of Michigan.

Scott Malat has served as our Chief Strategy Officer since July 2012. Mr. Malat served as our Senior Vice President—Strategic Planning from the time he joined us in October 2011 until July 2012. Prior to joining XPO Logistics, Mr. Malat was with Goldman Sachs Group, Inc., where he served as senior equity research analyst covering the air, rail, trucking and shipping sectors. Earlier, Mr. Malat was an equity research analyst with UBS, and a strategy manager with JPMorgan Chase & Co. He serves on the board of directors of the non-profit PSC Partners Seeking a Cure. He is a CFA® charterholder and has a degree in statistics with a concentration in business management from Cornell University.

Mario Harik has served as our Chief Information Officer since November 2011. Mr. Harik has built comprehensive IT organizations and overseen the implementation of proprietary platforms for a variety of firms and has consulted to members of the *Fortune 100*. His prior positions include chief information officer and senior vice president—research and development with Oakleaf Waste Management; chief technology officer with Tallan, Inc.; co-founder of G3 Analyst, where he served as chief architect of web and voice applications; and architect and consultant with Adea Solutions. Mr. Harik holds a master of engineering degree in information technology from Massachusetts Institute of Technology, and a degree in engineering, computer and communications from the American University of Beirut, Lebanon.

Corporate Information and Availability of Reports

XPO Logistics, Inc. was incorporated in Delaware on May 8, 2000. Our executive office is located at Five Greenwich Office Park, Greenwich, Connecticut 06831. Our telephone number is (855) 976-4636. Our stock is listed on the New York Stock Exchange ("NYSE") under the symbol "XPO".

Our corporate website is www.xpo.com. We make available on this website, free of charge, access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically submit such material to the SEC. We also make available on our website copies of materials regarding our corporate governance policies and practices, including the XPO Logistics, Inc. Corporate Governance Guidelines, our Senior Officer Code of Business Conduct and Ethics and the charters relating to the committees of our board of directors. You also may obtain a printed copy of the foregoing materials by sending a written request to: Investor Relations, XPO Logistics, Inc., Five Greenwich Office Park, Greenwich, Connecticut 06831. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC's website is www.sec.gov. The SEC makes available on this website, free of charge, reports, proxy and information statements and other information regarding issuers, such as us, that file electronically with the SEC. Information on our website or the SEC's website is not part of this document. We are currently classified as a "large accelerated filer" for purposes of filings with the SEC.

Item 1A. Risk Factors

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other written reports and oral statements we make from time to time contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. All statements other than statements of historical *fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include, but are not limited to, those discussed below and the risks discussed in the Company's other filings with the SEC. All forward-looking statements set forth in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The following discussion should be read in conjunction with the Company's audited Consolidated Financial Statements and related Notes thereto included elsewhere in this Annual Report. Forward-looking statements set forth in this Annual Report speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except as required by law.*

Economic recessions and other factors that reduce freight volumes could have a material adverse impact on our business.

The transportation industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, increases in prices charged by third-party carriers, interest rate fluctuations and other U.S. and global economic factors beyond our control. The recession beginning in 2008 and continuing throughout 2009 impacted the availability of services from our rail, truck, ocean and air transportation providers and our customers' demands for our services. Although conditions have improved since 2009, the future pace of recovery and even the continuation thereof cannot be predicted. During economic downturns, reduced overall demand for transportation services will likely reduce demand for our services and exert downward pressures on rates and margins. In periods of strong economic growth, demand for limited transportation resources can result in increased network congestion and resulting operating inefficiencies. In addition, deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and cause us to not reach our long-term growth goals. These risks may include the following:

- A reduction in overall freight volumes in the marketplace reduces our opportunities for growth. In addition, if a downturn in our customers' business cycles causes a reduction in the volume of freight shipped by those customers, our operating results could be adversely affected.
- Some of our customers may face economic difficulties and may not be able to pay us, and some may go out of business. In addition, some customers may not pay us as quickly as they have in the past, causing our working capital needs to increase.
- A significant number of our transportation providers may go out of business and we may be unable to secure sufficient equipment or other transportation services to meet our commitments to our customers.
- We may not be able to appropriately adjust our expenses to changing market demands. In order to maintain high variability in our business model, it is necessary to adjust staffing levels to changing market demands. In periods of rapid change, it is more difficult to match our staffing level to our business needs. In addition, we have other primarily variable expenses that are fixed for a period of time, and we may not be able to adequately adjust them in a period of rapid change in market demand.

We operate in a highly competitive industry and, if we are unable to adequately address factors that may adversely affect our revenue and costs, our business could suffer.

Competition in the transportation services industry is intense. Increased competition may lead to revenue reductions, reduced profit margins, or a loss of market share, any one of which could harm our business. There are many factors that could impair our profitability, including the following:

- competition with other transportation services companies, some of which have a broader coverage network, a wider range of services, more fully developed information technology systems and greater capital resources than we do;
- reduction by our competitors of their rates to gain business, especially during times of declining growth rates in the economy, which reductions may limit our ability to maintain or increase rates, maintain our operating margins or maintain significant growth in our business;
- a shift in the business of shippers to asset-based trucking companies that also offer brokerage services in order to secure access to those companies' trucking capacity, particularly in times of tight industry wide capacity;
- solicitation by shippers of bids from multiple transportation providers for their shipping needs and the resulting depression of freight rates or loss of business to competitors;
- establishment by our competitors of cooperative relationships to increase their ability to address shipper needs; and
- competition, particularly in our intermodal business, with companies affiliated with our key rail transportation providers, which may receive preferential terms and conditions as compared to those available to us.

We may not be able to successfully execute our acquisition strategy.

We intend to expand substantially through acquisitions to take advantage of market opportunities we perceive in our current markets (transportation and logistics) as well as new markets that we may enter. However, we can provide no assurance that future acquisitions will be completed in the time frame we anticipate, if at all. In addition, we may experience delays in making acquisitions or be unable to make the acquisitions we desire for a number of reasons. Suitable acquisition candidates may not be available at purchase prices that are attractive to us or on terms that are acceptable to us. In pursuing acquisition opportunities, we will compete with other companies, some of which have greater financial and other resources than we do.

We are unable to predict the size, timing and number of acquisitions we may complete. In addition, we may incur expenses associated with sourcing, evaluating and negotiating acquisitions (including those that are not completed), and we also may pay fees and expenses associated with obtaining financing for acquisitions and with investment banks and others finding acquisitions for us. Any of these amounts may be substantial, and together with the size, timing and number of acquisitions we pursue, may negatively impact us and cause significant volatility in our financial results.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our results of operations.

Acquisitions involve numerous risks, including the following:

- failure of the acquired company to achieve anticipated revenues, earnings or cash flows;
- assumption of liabilities that were not disclosed to us or that exceed our estimates;
- inability to negotiate effective indemnification protection from the seller, or inability to collect in the event of an indemnity claim;

- problems integrating the purchased operations with our own, which could result in substantial costs and delays or other operational, technical or financial problems;
- potential compliance issues with regard to acquired companies that did not have adequate internal controls;
- diversion of management's attention or other resources from our existing business;
- risks associated with entering markets, such as rail intermodal, air freight forwarding, ocean cargo, and last-mile logistics and contract logistics, in which we have limited prior experience;
- increases in working capital and capital expenditure investment to fund the growth of acquired operations;
- potential loss of key employees and customers of the acquired companies; and
- future write-offs of intangible and other assets if the acquired operations fail to generate sufficient cash flows.

We may not successfully manage our growth.

We intend to grow rapidly and substantially, including by expanding our internal resources, making acquisitions and entering into new markets. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, change in revenue and business models and entering into new geographic areas.

Our growth will place a significant strain on our management, operational and financial resources. We will need to continually improve existing procedures and controls as well as implement new transaction processing, operational and financial systems, and procedures and controls to expand, train and manage our employee base. Our working capital needs will increase substantially as our operations grow. Failure to manage growth effectively, or obtain necessary working capital, could have a material adverse effect on our business, results of operations, cash flows, stock price and financial condition.

The execution of our strategy depends on our ability to raise capital in the future, and our inability to do so could prevent us from achieving our growth objectives.

We may in the future be required to raise capital through public or private financing or other arrangements in order to pursue our growth strategy or operate our businesses. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business or ability to execute our strategy. Further debt financing may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

Sales or issuances of a substantial number of shares of our common stock may adversely affect the market price of our common stock.

We anticipate that we will fund future acquisitions or our capital requirements from time to time, in whole or part, through sales or issuances of our common stock or equity-based securities, subject to prevailing market conditions and our financing needs. Future equity financing will dilute the interests of our then-existing stockholders, and future sales or issuances of a substantial number of shares of our common stock or other equity-related securities may adversely affect the market price of our common stock.

Our success is dependent on our Chief Executive Officer and other key personnel.

Our success depends on the continuing services of our Chief Executive Officer, Mr. Bradley S. Jacobs. We believe that Mr. Jacobs possesses valuable knowledge and skills that are crucial to our success and would be very difficult to replicate.

Over time, our success will depend on attracting and retaining qualified personnel, including our senior management team. Competition for senior management is intense, and we may not be able to retain our management team or attract additional qualified personnel. The loss of a member of senior management would require our remaining senior officers to divert immediate and substantial attention to fulfilling the duties of the departing executive and to seeking a replacement. The inability to adequately fill vacancies in our senior executive positions on a timely basis could negatively affect our ability to implement our business strategy, which could adversely impact our results of operations and prospects.

Our business will be seriously harmed if we fail to develop, implement, maintain, upgrade, enhance, protect and integrate information technology systems.

We rely heavily on our information technology systems to efficiently run our business, and they are a key component of our growth strategy. To keep pace with changing technologies and customer demands, we must correctly interpret and address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends, which may lead to significant ongoing software development costs. We may be unable to accurately determine the needs of our customers and the trends in the transportation services industry or to design and implement the appropriate features and functionality of our technology platform in a timely and cost-effective manner, which could result in decreased demand for our services and a corresponding decrease in our revenues. Despite testing, external and internal risks, such as malware, insecure coding, "Acts of God," data leakage and human error pose a direct threat to our information technology systems and operations. We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber-attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to customers or others, diversion of resources, injury to our reputation and increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to resulting claims or liability could similarly involve substantial cost. We must maintain and enhance the reliability and speed of our information technology systems to remain competitive and effectively handle higher volumes of freight through our network and the various service modes we offer. If our information technology systems are unable to manage additional volume for our operations as our business grows, or if such systems are not suited to manage the various service modes we offer, our service levels and operating efficiency could decline. We expect customers to continue to demand more sophisticated, fully integrated information systems from their transportation providers. If we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems or if we fail to upgrade our systems to meet our customers' demands, our business and results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of freight we receive from customers.

We license an operating system that we are developing into an integrated information technology system for all of our business segments. This new system may not be successful or may not achieve the desired results. We may require additional training or different personnel to successfully implement this system, all of which may result in additional expense, delays in obtaining results or disruptions to our operations. In addition, acquired companies will need to be on-boarded onto this new integrated information technology system, which may cause additional training or licensing cost and disruption. In such event, our revenue, financial results and ability to operate profitably could be negatively impacted. The challenges associated with integration of our acquisitions may increase these risks.

We depend on third-parties in the operation of our business.

In our freight forwarding and freight brokerage operations, we do not own or control the transportation assets that deliver our customers' freight, and we do not employ the people directly involved in delivering the freight. In our expedited transportation and freight brokerage businesses (particularly our last mile delivery logistics operations, our over-the-road expedite operations and our intermodal drayage operations), we engage independent contractors who own and operate their own equipment. Accordingly, we are dependent on third-parties to provide truck, rail, ocean, air and other transportation services and to report certain events to us, including delivery information and cargo claims. This reliance could cause delays in reporting certain events, including recognizing revenue and claims. Our inability to maintain positive relationships with independent transportation providers could significantly limit our ability to serve our customers on competitive terms. If we are unable to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms, our operating results could be materially and adversely affected and our customers could switch to our competitors temporarily or permanently. Many of these risks are beyond our control, including the following:

- equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads;
- interruptions in service or stoppages in transportation as a result of labor disputes, seaport strikes, network congestion, weather-related issues, Acts of God, or acts of terrorism;
- changes in regulations impacting transportation;
- increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers; and
- changes in transportation rates.

Increases in independent contractor driver compensation or other difficulties attracting and retaining qualified independent contractor drivers could adversely affect our profitability and ability to maintain or grow our independent contractor driver fleet.

Our expedited transportation and intermodal drayage businesses operate through fleets of vehicles that are owned and operated by independent contractors. Our last mile delivery logistics business also operates through a fleet of independent contract carriers that supply their own vehicles, drivers and helpers. These independent contractors are responsible for maintaining and operating their own equipment and paying their own fuel, insurance, licenses and other operating costs. Turnover and bankruptcy among independent contractor drivers often limit the pool of qualified independent contractor drivers and increase competition for their services. In addition, regulations such as the FMCSA Compliance Safety Accountability program may further reduce the pool of qualified independent contractor drivers. Thus, our continued reliance on independent contractor drivers could limit our ability to grow our ground transportation fleet.

We are currently experiencing, and expect to continue to experience from time to time in the future, difficulty in attracting and retaining sufficient numbers of qualified independent contractor drivers. Additionally, our agreements with independent contractor drivers are terminable by either party upon short notice and without penalty. Consequently, we regularly need to recruit qualified independent contractor drivers to replace those who have left our fleet. If we are unable to retain our existing independent contractor drivers or recruit new independent contractor drivers, our business and results of operations could be adversely affected.

The compensation we offer our independent contractor drivers is subject to market conditions and we may find it necessary to continue to increase independent contractor drivers' compensation in future periods, which may be more likely to the extent economic conditions continue to improve. If we are unable to continue to attract and retain a sufficient number of independent contractor drivers, we could be required to increase our mileage rates and accessorial pay or operate with fewer trucks and face difficulty meeting shipper demands, all of which would adversely affect our profitability and ability to maintain our size or to pursue our growth strategy.

Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged.

We are involved in numerous lawsuits, including purported class action and multi-plaintiff litigations, and state tax and other administrative proceedings that claim that the Company's contract carriers or owner-operators or their drivers should be treated as our employees, rather than independent contractors. We incur certain costs, including legal fees, in defending the status of these parties as independent contractors. While we believe that our contract carriers and owner-operators and their drivers are properly classified as independent contractors rather than as employees, adverse decisions have been rendered recently in certain cases pending against us, including with respect to class certification of certain contract carriers and determinations that certain of our contract carriers and owner-operators are improperly classified. Certain of these decisions are subject to appeal, but we cannot provide assurance that we will determine to pursue any appeal or that any such appeal will be successful. Adverse final outcomes in these matters could, among other things, entitle certain of our contract carriers and owner-operators and their drivers to reimbursement with respect to certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for us, and could result in changes to the independent contractor status of our contract carriers and owner-operators. Changes to state laws governing the definition of independent contractors could also impact the status of our contract carriers and owner-operators. Adverse final outcomes in these matters or changes to state laws could cause us to change our business model, which could have a material adverse effect on our business strategies, financial condition, results of operations or cash flows. These claims involve potentially significant classes that could involve thousands of claimants and, accordingly, significant potential damages and litigation costs, and could lead others to bring similar claims.

The independent contractor misclassification matters in which we are currently engaged involve companies that we acquired, including XPO Last Mile and Pacer. Pursuant to the purchase agreements by which we acquired certain private companies, the former owners have agreed to indemnify us for costs and liabilities related to such class action and individual lawsuits, subject to certain limits, and we have retained purchase price holdbacks as security for such indemnification. Other than with respect to acquisitions for which our acquisition accounting process remains open (including, as discussed below, the Pacer acquisition), we believe that we have adequate purchase price holdbacks with respect to the potential impact of loss contingencies involving classification matters that are probable and reasonably estimable. However, such holdbacks may be insufficient to protect us against the full amount of the indemnified liability, in which case we would need to fund any losses from our available liquidity sources. To the extent that we do not have indemnification rights with respect to any such liabilities, or we are unable to collect under any such indemnification agreements, any payments will require utilization of our funds and establishment of reserves.

We do not currently expect any of these matters or these matters in the aggregate to have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty and an unfavorable resolution of one or more of these matters, or our failure to recover, in full or in part, under the indemnity provisions noted above, could have a material adverse effect on our financial condition, results of operations or cash flows.

Pacer Classification Claims

Our Pacer subsidiary, which was acquired on March 31, 2014, received notices from the California Labor Commissioner, Division of Labor Standards Enforcement (the “DLSE”), that a total of 153 owner operators contracted with certain Pacer subsidiaries have filed claims with the DLSE in which they assert that they should be classified as employees, as opposed to independent contractors. These claims seek reimbursement for the owner operators’ business expenses, including fuel, tractor maintenance and tractor lease payments. Seven of these claims were heard by a DLSE hearing officer, who awarded a total of $2.2 million to the seven claimants. We appealed these awards to California Superior Court, San Diego, where a *de novo* trial was held on the merits of those claims. On January 28, 2015, the court issued a tentative statement of decision in which it indicated its intent to find that the seven claimants were employees rather than independent contractors, and to award an aggregate of $2.0 million to the claimants. Under the court’s tentative statement of decision, either the claimants or we may file objections or comments by February 17, 2015, after which the court will render its final decision. The court’s final decision is subject to appeal, but we cannot provide assurance that we will determine to pursue an appeal or that an appeal will be successful. The remaining DLSE claims have been transferred to California Superior Court in three separate actions involving 175 claimants. These matters are in the initial procedural stages.

Pacer also is a party to a putative class action litigation brought by Edwin Molina in the U.S. District Court, Southern District of California. Mr. Molina asserts that he should be classified as an employee, as opposed to an independent contractor, and seeks damages for alleged violation of various California wage and hour laws.

The plaintiff seeks to have the litigation certified as a class action involving all owner-operators contracted with Pacer Cartage at any time from August 2009 to the present, which could involve as many as 600 claimants. Certain of these potential claimants also may have claims under the actions pending in California Superior Court as described above. This matter is in the initial stages of discovery and the court has not yet determined whether to certify the matter as a class action. We have reached a tentative agreement to settle this litigation with the claimants, subject to court approval and acceptance by a minimum percentage of members of the purported class. We cannot assure you that the settlement agreement will be finalized and executed, that the court will approve any such settlement agreement or that it will be accepted by the requisite members of the purported class.

During the fourth quarter of 2014, in connection with our Pacer acquisition accounting process, we established a reserve for the estimated probable loss with respect to certain of the cases described above, as required pursuant to applicable accounting standards. This amount was not material to our total liabilities or goodwill. We continue to evaluate these and other claims in light of the recent adverse decisions and other factors. We believe there is a reasonable possibility that a loss may be incurred in excess of the reserve amount; however, we cannot estimate the possible loss or range of such possible losses at this time. We cannot assure you that the amount of any actual loss we incur in connection with these matters will not materially exceed any reserve that we establish.

We are involved in several lawsuits and are subject to various claims that could result in significant expenditures and impact our operations.

The nature of our business exposes us to the potential for various types of claims and litigation. In addition to the matters described in the risk factor "Certain of our businesses rely on owner-operators and contract carriers to conduct their operations, and the status of these parties as independent contractors, rather than employees, is being challenged," we are subject to claims and litigation related to labor and employment, personal injury, traffic accidents, cargo and other property damage, business practices, environmental liability and other matters, including with respect to claims asserted under various theories of agency and employer liability notwithstanding our independent contractor relationships with our transportation providers. Claims against us may exceed the amount of insurance coverage, or may not be covered by insurance at all. Businesses that we acquire also increase our exposure to litigation. A material increase in the frequency or severity of accidents, liability claims, or workers' compensation claims, or unfavorable resolutions of claims, or our failure to recover, in full or in part, under indemnity provisions with transportation providers could materially and adversely affect our operating results. In addition, significant increases in insurance costs or the inability to purchase insurance as a result of these claims could reduce our profitability.

Changes in our relationships with our significant customers, including the loss or reduction in business from one or more of them, could have an adverse impact on us.

No single customer accounts for 10% or more of our consolidated revenue. We do not believe the loss of any single customer would materially impair our overall financial condition or results of operations; however, collectively, some of these large customers might account for a relatively significant portion of the growth in revenue and margins in a particular quarter or year. Our contractual relationships with customers generally are terminable at will by the customers on short notice and do not require the customer to provide any minimum commitment. Our customers could choose to divert all or a portion of their business with us to one of our competitors, demand rate reductions for our services, require us to assume greater liability that increases our costs, or develop their own logistics capabilities. Failure to retain our existing customers or enter into relationships with new customers could materially impact the growth in our business and the ability to meet our current and long-term financial forecasts.

Our intermodal business may be affected by any adverse change to relationships with railroad service providers upon the expiration or renewal of such contracts.

The rail contracts supporting our intermodal operations, which have varied expiration dates, contain specific contract rates and other negotiated provisions that enable us to provide competitive transportation rates and services to our customers. A loss of one or more of these rail contracts, or failure to enter into renewal or replacement contracts with comparably favorable terms upon expiration of the current contracts, could materially adversely affect our business, results of operations and cash flows. While we expect to be able to continue to obtain competitive terms and conditions from our railroad vendors, no assurance can be given that such terms and conditions will be comparable to those in our current rail contracts.

In addition, Union Pacific is the primary supplier and servicer of the 53-foot containers used in our business, as well as the chassis used on the Union Pacific network. We have the ability under our arrangements with Union Pacific to increase or decrease our equipment fleet periodically. The refusal or failure of Union Pacific to provide us with additional containers and chassis when required, or to allow us to return excess equipment when requested, or our failure to adequately and timely service the containers or chassis we use, could have an adverse effect on our business and results of operations.

Our cross-border agreement with Union Pacific contemplates a transition in our business model for the cross-border US-Mexico automotive business, which may adversely affect our operating income over time.

Under a multi-year agreement entered into with Union Pacific in October 2012 (the “2012 UP Agreement”), we act as Union Pacific’s network logistics manager for cross-border shipments and provide rail container and chassis management services on a wholesale basis for Union Pacific in Mexico. We are compensated on a fee basis for such services and the use of our equipment. Revenues and margins from the US-Mexico wholesale intermodal automotive business are primarily dependent on (1) the volume of US-Mexico automotive parts shipments via the network that we manage under the 2012 UP Agreement; (2) the volume of our equipment used via the network that we manage versus rail or other equipment; and (3) the amount of sales, general and administrative costs we incur to run this business. The 2012 UP Agreement provides for the step-down, and ultimately the termination as of December 31, 2015, of our role in the US-Mexico wholesale intermodal automotive business, and contemplates that our business model with respect to US-Mexico automotive business will transition to a direct retail model. Accordingly, our revenue and margin for the services and equipment we provide under the 2012 UP Agreement will decline unless we are successful in increasing our direct retail US-Mexico automotive business. We have limited experience operating a retail model in these lanes and can provide no assurance that we will generate sufficient retail business to replace the wholesale intermodal cross-border automotive business. If there are unfavorable changes in any of the aforementioned factors, or if we are unsuccessful in replacing the wholesale business with new direct retail US-Mexico automotive business, our revenues, results of operations and cash flows could be materially and adversely affected and may result in a material goodwill impairment.

Network changes, lane closures, carrier consolidation, and other reductions or deterioration in rail services could increase costs, decrease demand for our intermodal services and adversely affect our operating results.

Most of the intermodal transportation services that we provide depend on the major railroads in the United States and Mexico, which in many markets is limited to a few railroads or even a single railroad. As a result, any reduction, suspension, interruption or elimination of rail service to a particular market may limit our ability to serve some of our customers. Furthermore, reductions in service by the railroads are likely to increase the cost of the rail-based services that we provide and potentially reduce the reliability, timeliness, and overall attractiveness of our intermodal product. Increases in the cost of rail service reduce some of the advantages of intermodal transportation compared to truck and other transportation modes, which may reduce demand for our intermodal services. Rail consolidations in the past have caused service disruptions and would further reduce service choices and bargaining power for rail customers. Further consolidation among railroads might adversely affect intermodal transportation and our results of operations.

From time to time, our railroad suppliers have experienced train resource shortages, operating inefficiencies, and high demand for rail transportation that resulted in increased transit times, terminal congestion, and decreased equipment velocity, all of which increase our costs, decrease equipment capacity, impact customer service, and create a challenging operating environment. To the extent that we rely on rail carriers that experience poor service performance, demand for our intermodal services may be adversely affected.

Our business may be materially adversely affected by labor disputes, including those currently affecting West Coast seaports.

Our business in the past has been and in the future could be adversely affected by strikes and labor renegotiations affecting seaports, labor disputes between railroads and their union employees, or by a work stoppage at one or more railroads or local trucking companies servicing rail or port terminals, including work disruptions involving owner operators under contract with our local trucking operations. Currently, due to ongoing work slowdowns by the longshore workers union, port operators have closed West Coast ports for six days (generally weekends and holidays) in February 2015. Our local drayage operations, other intermodal lines of business, and our NVOCC and international freight forwarding operations have been adversely impacted by recent West Coast port congestion and shutdowns. We cannot predict when these labor issues and shutdowns affecting West Coast ports will be resolved. These recent port shutdowns and similar disruptions to major points in the transportation network, most of which are beyond our control, result in terminal embargoes, disrupt equipment and freight flows, depress volumes and revenues, increase costs and have other negative effects on our operations and financial results.

Our substantial indebtedness could adversely affect our financial condition.

As of February 20, 2015, we had approximately $1.0 billion of total indebtedness and unused commitments of $415 million under our Amended Credit Agreement (less $14 million of outstanding letters of credit), the availability of which is subject to certain conditions including its borrowing base availability. We incurred this substantial indebtedness in connection with the New Breed acquisition, for general corporate purposes and in anticipation of executing our acquisition strategy. We currently have cash and cash equivalents of $1.1 billion, which results in us currently having a negative net debt position. However, in the event that we complete acquisitions in the future that decrease our cash position, we would have substantial outstanding indebtedness. Our debt level could:

- negatively affect our ability to pay principal and interest on our debt or dividends on our Series A Preferred Stock;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future capital expenditures and working capital, to engage in future acquisitions or development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flow from operations to payments of interest and principal or to comply with any restrictive terms of our debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which it operates;
- impair our ability to obtain additional financing or to refinance our indebtedness in the future; and
- place the Company at a competitive disadvantage compared to our competitors that may have proportionately less debt.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could materially and adversely affect our financial position and results of operations. Further, failure to comply with the covenants under our indebtedness may have a material adverse impact on our operations. If we fail to comply with the covenants under any of our indebtedness, and are unable to obtain a waiver or amendment, such failure may result in an event of default under our indebtedness. We cannot assure you that we would have sufficient liquidity to repay or refinance our indebtedness if such indebtedness were accelerated upon an event of default.

Under the terms of our outstanding indebtedness, we may be able to incur substantial additional indebtedness in the future, which could further exacerbate the risks described above.

Fluctuations in the price or availability of fuel may change our operations structure and resulting profitability.

Fuel expense constitutes one of the greatest costs to our fleet of independent contractor drivers and third-party transportation providers who complete the physical movement of freight we arrange. Fuel prices are highly volatile with the price and availability of all petroleum products subject to economic, political and other market forces beyond our control. As is customary in our industry, most of our customer contracts include fuel surcharge provisions to mitigate the effect of the fuel price increase over base amounts established in the contract. However, these fuel surcharge mechanisms usually do not capture the entire amount of the increase in fuel prices, and they also feature a lag between the payment for fuel and collection of the surcharge revenue. Market pressures may limit our ability to assess fuel surcharges in the future. Significant increases in fuel prices would increase our need for working capital to fund payments to our independent contractor drivers and third-party transportation providers. Decreases in fuel prices reduce the cost of transportation services and accordingly, will reduce our revenues and may reduce margins for certain significant lines of business. Significant changes in the price or availability of fuel in future periods, or significant changes in our ability to mitigate fuel price increases through the use of fuel surcharges, could have a material adverse impact on our operations, fleet capacity and ability to generate both revenues and profits.

We are subject to changes in markets and our business plans that have resulted, and may in the future result, in write-downs of the carrying value of our assets, potentially in significant amounts, thereby reducing our net income.

Our regular review of the carrying value of our assets has resulted, from time to time, in impairments, and we may in the future be required to recognize additional impairment charges, potentially in significant amounts. Changes in business strategy, rebranding efforts, government regulations, economic or market conditions, or our operating performance have resulted and may result in further substantial impairments of intangible, fixed or other assets at any time in the future, including with respect to our acquired businesses. While such impairment charges would not impact our cash position, such charges could significant reduce our net income.

Events affecting customer manufacturing plants, such as labor disputes or plant closures, could have a material effect on our performance.

Our Logistics segment derives a substantial portion of revenue from the operation and management of operating facilities, which are often located in close proximity to a client's manufacturing plant and are integrated into the client's production line process. We may experience significant revenue loss and shut-down costs, including costs related to early termination of leases, causing our business to suffer if clients suffer strikes or other labor disputes, close their plants or significantly modify their capacity or supply chains at a plant that our Logistics segment services. In such a situation, our operations may be unable to recoup all or any of the related costs that we have incurred. Similarly, a labor dispute or plant closure involving a supplier to our Logistics segment's clients that results in a slowdown or closure of our clients' plants could also have a material adverse effect on our business.

Our warehouse lease costs are fixed for a certain period of time, even if customer demand for shipping services in the areas where these warehouses are located decreases.

We lease the warehouses in which we operate pursuant to operating leases of various durations. These leases provide for rent and other expenses that are essentially fixed in nature for a period of time, which may limit our ability to react promptly to a decline in demand by our customers for shipping services in the areas where our warehouses are located. Our inability to respond promptly to changes in customer demand may have an adverse effect on our financial condition and results of operations. In addition, we may be unable to terminate these leases or find suitable subtenants in the event of a rapid reduction in market demand without a material adverse effect on our business, results of operations and financial condition.

A majority of our Logistics segment's business (through our September 2014 acquisition of New Breed) revenues are generated on a per unit basis. If the amount or level of services that New Breed performs is reduced, it would have a direct negative impact on our results of operations.

The clients of our Logistics segment operations may materially reduce or eliminate a portion of the work that we have historically provided to them because our contracts generally do not have minimum volume or purchase obligations or requirements. Moreover, many of our Logistics segment contracts are subject to competitive bidding. Revenue in our Logistics segment would materially decline if any of our clients' businesses decline or if a client cancels a significant project or a significant number of projects, and our Logistics segment operations is unable to replace them with similar projects. However, our Logistics operations' contracts have cancellation provisions that typically require the client to pay a termination fee if the client terminates the contract without cause. Under most of our Logistics segment's contractual arrangements with our clients, all or a portion of our pricing is based on certain assumptions regarding the scope of services, production or order volumes, operational efficiencies, the mix of fixed versus variable costs, productivity and other factors. If these assumptions prove to be invalid or, as a result of subsequent changes in our Logistics segment's client's business needs or market forces that are outside of our control, these assumptions are rendered obsolete, our Logistics segment operations would likely have lower margins than anticipated, or our Logistics segment's contracts could prove unprofitable. In such events, there is no assurance that our Logistics segment operations will be successful in obtaining the price adjustments necessary to maintain our revenues.

A relatively small modification to the manner in which our Logistics segment's clients do business could have a large effect on the services we provide and could materially increase our costs.

The nature of our Logistics segment's operations requires us to align the services that we provide with the policies and practices of our clients. A minor change in such policies and practices may have a material impact on our Logistics segment's operations. A minor modification to, for example, the terms of the return policy of one of our clients could require our operations to modify the service model that we have developed for such client. This could require our Logistics segment's operations to, without limitation, hire additional labor, develop new technology, open additional facilities, adopt more stringent standards or otherwise incur additional costs. Such special arrangements may be expensive, and we may not be able to recoup the additional costs posed by the necessary modifications to its service model. In certain cases, changes to our Logistics segment's clients' policies and practices could reduce their need for our services generally. If our Logistics segment is unable to successfully address the service requirements of our existing and future clients, or if our clients' need for its services is reduced, our business and prospects will be materially and adversely affected.

Our Logistics segment's business (through our September 2014 acquisition of New Breed) typically faces a long selling cycle to secure a new engagement and a long implementation period that require a significant commitment of resources, before we can recognize revenue.

Our Logistics segment, which is the New Breed business we acquired in September 2014, typically faces a long selling cycle to secure a new client engagement, during which period it incurs significant costs and devotes substantial management time. Our operations may not succeed in winning the new business, in which case it would not receive any revenue or reimbursement for such expenses.

Even if our Logistics segment is successful in obtaining a new engagement, that is often followed by an implementation period in which the services are planned in detail, necessary resources are deployed and workers are hired. During this time a binding contract is also negotiated and agreed. Until our Logistics segment signs a binding contract for the engagement, the client may still change its mind and decide to retain the work in-house or choose a competitor. Our clients may also experience delays in obtaining internal approvals or delays associated with technology or system implementations, further lengthening the implementation cycle.

The long selling cycle and implementation phase for its services and the limited number of new engagements it pursues at any time make it difficult for us to predict with any accuracy the timing of revenues from new engagements as well as our related costs.

Issues related to the intellectual property rights on which our business depends, whether related to our failure to enforce our own rights or infringement claims brought by others, could have a material adverse effect on our business, financial condition and results of operations.

We use both internally developed and purchased technology in conducting our business. Whether internally developed or purchased, it is possible that the user of these technologies could be claimed to infringe upon or violate the intellectual property rights of third parties. In the event that a claim is made against us by a third party for the infringement of intellectual property rights, any settlement or adverse judgment against us either in the form of increased costs of licensing or a cease and desist order in using the technology could have an adverse effect on us and our results of operation.

We also rely on a combination of intellectual property rights, including copyrights, trademarks, domain names, trade secrets, intellectual property licenses and other contractual rights, to establish and protect our intellectual property and technology. Any of our owned or licensed intellectual property rights could be challenged, invalidated, circumvented, infringed or misappropriated; our trade secrets and other confidential information could be disclosed in an unauthorized manner to third-parties or we may fail to secure the rights to intellectual property developed by our employees, contractors and others. Efforts to enforce our intellectual property rights may be time consuming and costly, distract management's attention and resources and ultimately be unsuccessful. Moreover, our failure to develop and properly manage new intellectual property could adversely affect our market positions and business opportunities.

Our failure to obtain, maintain and enforce its intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.

A significant labor dispute involving one or more of our customers, or a labor dispute that otherwise affects our operations, could reduce our revenues and harm our profitability.

Labor disputes involving our customers could affect our operations. If our customers are unable to negotiate new labor contracts and our clients' plants experience slowdowns or closures as a result, our revenue and profitability, particularly in our Logistics segment's operations that are closely tied to clients' plants, could be negatively impacted. A labor dispute involving a supplier to our Logistics segment's clients that results in a slowdown or closure of our clients' plants to which our Logistics segment provides services could also have a material adverse effect on its business. The employees of our customers, suppliers and other service providers may be, or may in the future be, unionized and there may be strikes, lock outs or material labor disputes with respect to our customers or their suppliers in the future that materially affects our performance.

Our overseas operations subject us to various operational and financial risks which could adversely affect our business.

The services we provide outside of the United States subject us to risks resulting from changes in tariffs, trade restrictions, trade agreements, tax policies, difficulties in managing or overseeing foreign operations and agents, different liability standards, issues related to compliance with anti-corruption laws such as the Foreign Corrupt Practices Act and the U.K. Bribery Act, and intellectual property laws of countries which do not protect our rights in our intellectual property, including our proprietary information systems, to the same extent as the laws of the United States. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region. As we expand our business in foreign countries, we will also be exposed to increased risk of loss from foreign currency fluctuations and exchange controls.

If we are unable to expand the number of our sales representatives and independent station agents, or if a significant number of our existing sales representatives and independent station agents leave us, our ability to increase our revenue could be negatively impacted.

Our ability to expand our business will depend, in part, on our ability to attract and retain sales representatives and the independent station agents through which we conduct a portion of our freight forwarding operations. Competition for qualified sales representatives and brokerage agents can be intense. We may be unable to attract such persons or retain those that are already associated with us. Any difficulties we experience in expanding or retaining our sales representatives and independent station agents could have a negative impact on our ability to expand our customer base, increase our revenue and continue our growth. Further, a significant increase in the turnover rate among our current sales representatives and independent station agents could also increase our recruiting costs and decrease our operating efficiency.

We are subject to regulation, which could negatively impact our business.

Our operations are regulated and licensed by various governmental agencies in the United States and in foreign countries in which we operate. These regulatory agencies have authority and oversight of domestic and international transportation services and related activities, licensure, motor carrier operations, safety and security and other matters. We must comply with various insurance and surety bond requirements to act in the capacities for which we are licensed. Our subsidiaries and independent contractors must also comply with applicable regulations and requirements of such agencies. Through our subsidiaries and business units, we hold various licenses required to carry out our domestic and international services. These licenses permit us to provide services as a motor carrier, property broker, indirect air carrier, OTI, NVOCC, freight forwarder, air freight forwarder, and ocean freight forwarder. We also are subject to regulations and requirements promulgated by, among others, the DOT, FMCSA, DHS, CBP, TSA, FMC, IATA, the Canada Border Services Agency and various other international, domestic, state, and local agencies and port authorities. Our failure to maintain our required licenses, or to comply with applicable regulations, could have a material adverse impact on our business and results of operations. See the “Regulation” section of this Annual Report on Form 10-K under the caption entitled “Business” for more information.

Future laws and regulations may be more stringent and require changes in our operating practices that influence the demand for transportation services or require us to incur significant additional costs. We are unable to predict the impact that recently enacted and future regulations may have on our businesses. Higher costs incurred by us, or incurred by our independent contractors or third-party transportation providers who pass the increased costs on to us, as a result of future new regulations could adversely affect our results of operations to the extent we are unable to obtain a corresponding increase in price from our customers.

Seasonality affects our operations and profitability.

The transportation industry experiences seasonal fluctuations. Our results of operations are typically lower for the first quarter of the calendar year relative to our other quarters. We believe this is due in part to the post-holiday reduction in demand experienced by many of our customers, which leads to more capacity in the non-expedited and service-critical markets and, in turn, less demand for expedited and premium shipping services. In addition, the productivity of our independent contractors and transportation providers generally decreases during the winter season because inclement weather impedes operations.

Terrorist attacks, anti-terrorism measures and war could have broad detrimental effects on our business operations.

As a result of the potential for terrorist attacks, federal, state and municipal authorities have implemented and continue to follow various security measures, including checkpoints and travel restrictions on trucking and rail routes and security screenings of air cargo on passenger aircraft and international containers. Such measures may reduce the productivity of our independent contractors and transportation providers or increase the costs associated with their operations, which we could be forced to bear. War, risk of war or a terrorist attack also may have an adverse effect on the economy. A decline in economic activity could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war also could impact our ability to raise capital. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could increase dramatically or such coverage could be unavailable in the future.

Our Chairman and Chief Executive Officer controls a large portion of our stock and has substantial control over us, which could limit other stockholders' ability to influence the outcome of key transactions, including changes of control.

Our Chairman and Chief Executive Officer, Mr. Bradley S. Jacobs, controls, as the managing member of Jacobs Private Equity, LLC ("JPE"), (i) 67,500 shares of our Series A Convertible Perpetual Preferred Stock, which are initially convertible into an aggregate of 9,642,857 shares of our common stock, and (ii) 9,642,857 warrants initially exercisable for an aggregate of 9,642,857 shares of our common stock at an exercise price of $7.00 per share. Mr. Jacobs also directly owns 81,761 shares of our common stock and has employee stock options and restricted stock units convertible into an additional 484,593 shares of our common stock. Under applicable SEC rules, Mr. Jacobs beneficially owns approximately 20% of our outstanding common stock. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders. Our preferred stock votes together with our common stock on an "as-converted" basis on all matters, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of shares of the preferred stock. Accordingly, Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of our largest stockholders, including JPE, could impact the volume of trading, liquidity and market price of our common stock.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

We lease our current executive office at Five Greenwich Office Park, Greenwich, Connecticut, as well as our national operations centers in Charlotte, North Carolina and Dublin, Ohio. We own the facility at which we conduct a portion of our expedited transportation operations in Buchanan, Michigan. As of February 2015, we also lease numerous other facilities relating to our operations under each of our operating segments, generally ranging from 1,000 to approximately 500,000 square feet of space. These facilities are located in all 48 states of the contiguous United States, District of Columbia, three Canadian provinces: British Columbia, Ontario and Quebec, Mexico, Germany and China. We believe that our facilities are sufficient for our current needs and are in good condition in all material respects.

ITEM 3. *LEGAL PROCEEDINGS*

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business. These proceedings may include, among other matters, claims for property damage or personal injury incurred in connection with the transportation of freight and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contract. These proceedings also include numerous purported class-action lawsuits, multi-plaintiff and individual lawsuits and state tax and other administrative proceedings that claim that our owner operators or contract carriers should be treated as employees, rather than independent contractors. We are currently engaged in several alleged independent contractor misclassification claims involving certain companies that we have acquired, including XPO Last Mile and Pacer. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. For additional information about these matters, please refer to Note 5 to our audited Consolidated Financial Statements.

We do not believe that the ultimate resolution of any matters to which we are presently party will have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

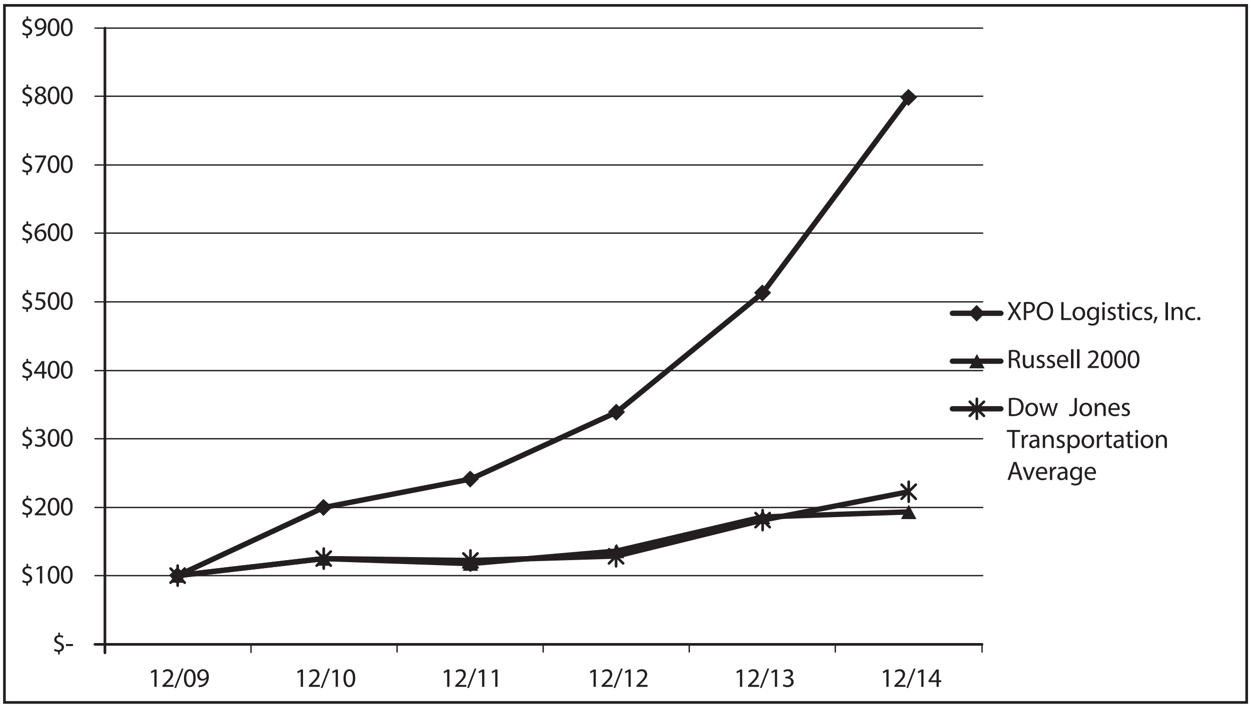
Price Range of Common Stock

Our common stock is traded on NYSE under the symbol "XPO." The table below sets forth the high and low closing sales prices for our common stock for the quarters included within 2013 and 2014.

	High	Low
2013		
1st quarter	$18.59	$16.60
2nd quarter	18.25	15.82
3rd quarter	25.41	17.96
4th quarter	26.45	19.50
2014		
1st quarter	$32.51	$23.90
2nd quarter	30.50	23.24
3rd quarter	39.72	26.03
4th quarter	42.48	31.85

As of December 31, 2014, there were approximately 420 record holders of our common stock, based upon data available to us from our transfer agent. We have never paid, and have no immediate plans to pay, cash dividends on our common stock. We currently plan to retain future earnings and cash flows for use in the development of our business and to enhance stockholder value through growth and continued focus on improving profitability rather than for paying dividends on our common stock. In addition, our current credit agreement imposes, and we expect that any future credit agreement we enter into will impose, restrictions on our ability to pay cash dividends on our common stock. Accordingly, we do not anticipate paying any cash dividends on our common stock in the near future. Future payment of dividends on our common stock would depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors.

The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns of the Russell 2000 Index, and the Dow Jones Transportation Average Index. The graph tracks the performance of a $100 investment in our common stock and in each index from December 31, 2009 to December 31, 2014.



	12/09	12/10	12/11	12/12	12/13	12/14
XPO Logistics, Inc.	$100	$200	$241	$339	$513	$798
Russell 2000	$100	$125	$118	$136	$186	$193
Dow Jones Transportation Average	$100	$125	$122	$129	$181	$223

Equity Compensation Plan

Certain information with respect to our equity compensation plans is set forth in Item 12 of this Annual Report on Form 10-K.

Unregistered Sales of Equity Securities and Use of Proceeds

On January 13, 2015 and February 17, 2015, the Company issued an aggregate of 1,859,231 shares of its common stock, par value $0.001 per share, to certain holders of the Company's 4.50% Convertible Senior Notes due 2017, CUSIP 983793100 (the "Convertible Notes") in connection with the conversion of $30.6 million aggregate principal amount of the Convertible Notes. The number of shares of our common stock issued in the foregoing transactions equals the number of shares of our common stock presently issuable to holders of the Convertible Notes upon conversion under the original terms of the Convertible Notes. The issuance of shares of our common stock pursuant to the foregoing transactions was made in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), as a transaction by an issuer not involving a public offering.

During the year ended December 31, 2014, the Company issued 141,976 unregistered shares of its common stock as a result of the exercise of warrants by certain shareholders. The issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof, as a transaction by an issuer not involving any public offering.

ITEM 6. *SELECTED FINANCIAL DATA*

This table includes selected financial data for the last five years. This financial data should be read together with our Consolidated Financial Statements and related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and other financial data appearing elsewhere in this Annual Report.

XPO Logistics, Inc.
(In millions, except per share data)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Consolidated Statements of Operations Data:					
Revenue	$2,356.6	$ 702.3	$ 278.6	$177.1	$158.0
Net revenue	654.8	123.6	40.8	29.8	27.4
Net (loss) income	(63.6)	(48.5)	(20.3)	0.8	4.9
Preferred stock beneficial conversion charge	(40.9)	—	—	(44.2)	—
Cumulative preferred dividends	(2.9)	(3.0)	(3.0)	(1.1)	—
Net (loss) income available to common stockholders	$ (107.4)	$ (51.5)	$ (23.3)	$ (44.6)	$ 4.9
(Loss) earnings per share					
Basic	$ (2.00)	$ (2.26)	$ (1.49)	$ (5.41)	$ 0.61
Diluted	(2.00)	(2.26)	(1.49)	(5.41)	0.59
Weighted average common shares outstanding					
Basic	53,630	22,752	15,694	8,247	8,060
Diluted	53,630	22,752	15,694	8,247	8,279
Consolidated Balance Sheet Data:					
Working capital	$ 852.0	$ 70.7	$ 271.9	$ 83.1	$ 12.3
Total assets	$2,761.2	$ 780.2	$ 413.2	$127.6	$ 56.7
Current maturities of long-term debt	$ 1.8	$ 2.0	$ 0.5	$ 1.7	$ 1.7
Senior notes due 2019	$ 500.0	$ —	$ —	$ —	$ —
Convertible senior notes	$ 91.9	$ 106.3	$ 108.3	$ —	$ —
Revolving credit facility and other long-term debt, net of current maturities	$ 0.2	$ 75.4	$ 0.7	$ 0.5	$ 4.8
Total long-term debt	$ 592.1	$ 181.7	$ 109.0	$ 0.5	$ 4.8
Preferred stock	$ 42.2	$ 42.7	$ 42.8	$ 42.8	$ —
Stockholder's equity	$1,655.1	$ 455.9	$ 245.1	$108.4	$ 34.0

Results for the fiscal years ended December 31, 2014 and December 31, 2011 reflect beneficial conversion charges of $40.9 million on the Series B Preferred Stock and $44.2 million on the Series A Preferred Stock, respectively, that were recorded as deemed distributions during the fourth quarter of 2014 and the third quarter of 2011, respectively.

Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

You should read the following discussion in conjunction with Part I, including matters set forth under Item 1A, "Risk Factors", of this Annual Report, and our Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report. The following discussion contains forward-looking statements. You should refer to the "Cautionary Statement Regarding Forward-Looking Statements" set forth in Part I, Item 1A of this Annual Report.

Executive Summary

XPO Logistics, Inc. is one of the largest asset-light providers of transportation logistics services and a leading provider of highly engineered, technology-enabled contract logistics in North America. We provide premium transportation logistics services to shippers and carriers that outsource their freight needs to us as an asset-light, third-party logistics provider.

On September 2, 2014, we closed the acquisition of New Breed and entered into the contract logistics business. Our acquisition of New Breed allows us to design, implement, operate and optimize mission-critical and requirement-intensive outsourced supply chains for some of the world's leading organizations. Through New Breed's supply chain technology and operational expertise, we solve complex supply chain problems and create and implement transformative solutions for our clients, while reducing their operating costs and inventory levels and improving their customer service. New Breed provides supply chain solutions primarily to leading corporations that operate in five key industries—telecommunications, aerospace and defense, medical equipment, retail and industrials—that have demanding requirements for quality standards, real-time data visibility, customer service, handling of high-value products, high transaction volumes, large number of SKUs and/or time-assured deliveries.

As of December 31, 2014, we operated at 197 locations: 178 Company-owned branches and 19 agent-owned offices.

We offer our services through two segments. Our Transportation segment includes freight brokerage services in which we place shippers' freight with qualified carriers, primarily trucking companies and rail carriers, expedited transportation services in which we facilitate urgent shipments via independent over-the-road contractors and air charter carriers, and freight forwarding services in which we arrange domestic and international shipments using ground, air and ocean transport through a network of agent-owned and Company-owned locations. Our Logistics segment provides contract logistics services, including value-added warehousing and distribution, reverse logistics, transportation management, freight bill audit and payment, lean manufacturing support, aftermarket support and supply chain optimization for our clients. The differences in our operating and reportable segments from our last annual report are related to an internal management reorganization and acquisitions during the year ended December 31, 2014. Our previous Freight Brokerage, Expedited Transportation and Freight Forwarding reportable segments have been consolidated into the Transportation operating and reportable segment while our acquisition of New Breed (previously the Contract Logistics reportable segment) represents the Logistics operating and reportable segment. For additional information refer to **Note 16—Segment Reporting and Geographic Information** of the Consolidated Financial Statements included within.

In September 2011, following the equity investment in the Company led by Jacobs Private Equity, LLC, we began to implement a strategy to leverage our strengths—including management expertise, operational scale and capital resources—with the goals of significant growth and value creation.

By executing our strategy, we have built leading positions in some of the fastest-growing sectors of transportation logistics. In North America, we are the third largest provider of freight brokerage services, which, driven by an outsourcing trend, is growing at two to three times the rate of Gross Domestic Product ("GDP"). Our acquisitions of 3PD and Optima in 2013 and ACL in 2014 made us the largest provider of heavy goods last-mile delivery logistics in North America, a $13 billion sector which, driven by outsourcing by big-box retailers and e-commerce, is growing at five to six times the rate of GDP. In part due to our acquisition of NLM in December of 2013, we now manage more expedited shipments than any other company in North America and have established a foothold in managed transportation. Expediting is growing due to a trend toward just-in-time inventories in manufacturing. Following the acquisition of Pacer in March of 2014, we are the third largest provider of intermodal services in North America and a leading provider of cross-border Mexico intermodal services, a sector that, driven by the efficiencies of long-haul rail and the growth of near-shoring of manufacturing in Mexico, is growing at three to five times the rate of GDP. Due to the acquisition of New Breed in September 2014, we became a leading provider of highly engineered, technology-enabled contract logistics services for large manufacturers and service companies. We believe our broad service offering gives us a competitive advantage as many customers, particularly large shippers, focus their relationships on fewer, larger third-party logistics providers with deep capacity across a wide range of services.

Our strategy has three main components:

- ***Acquisitions.*** We take a disciplined approach to acquisitions: we look for companies that are highly scalable and are a good strategic fit with our core competencies. When we acquire a company, we seek to integrate it with our operations by moving the acquired operations onto our technology platform that connects our broader organization. We gain more carriers, customers, lane histories and pricing histories with each acquisition, and some acquisitions add complementary services. We use these resources company-wide to buy transportation more efficiently and to cross-sell a more complete supply chain solution to customers. In 2012, we completed the acquisition of four non-asset, third-party logistics companies. We acquired another six companies in 2013, including 3PD, the largest non-asset, third-party provider of last mile logistics for heavy goods in North America, and NLM, the largest provider of web-based expedited transportation management in North America. On March 31, 2014, we acquired Pacer, the third largest provider of intermodal transportation services in North America. On July 28, 2014, we acquired last mile logistics company ACL. We completed our acquisition of contract logistics company New Breed on September 2, 2014. We have an active pipeline of key targets, and we plan to continue acquiring quality companies that fit our strategy for growth.
- ***Cold-starts.*** We believe that cold-starts can generate high returns on invested capital because of the relatively low amount of start-up capital—generally one million dollars or less for a brokerage cold-start—and the large component of variable-based incentive compensation. We are currently ramping up 24 cold-starts in our Transportation segment: 12 in truck brokerage, 11 in freight forwarding and one in expedited transportation. Given this model, cold-starts of any size can generate high returns on invested capital. We plan to continue to open cold-start locations where we see the potential for strong returns.
- ***Optimization of operations.*** We are continuing to optimize our existing operations by growing our sales force, implementing advanced information technology, cross-selling our services and leveraging our shared capacity. We have a disciplined framework of processes in place for the recruiting, training and mentoring of newly hired employees, and for marketing to the hundreds of thousands of prospective customers who can use our services. Our network is supported by our proprietary information technology that includes robust sales, service, carrier procurement and customer experience management capabilities, as well as benchmarking and analysis. Most important to our growth, we are developing a culture of passionate, world-class service for customers.

Senior Notes due 2019

On August 25, 2014, we completed a private placement of $500.0 million aggregate principal amount of 7.875% senior notes due September 1, 2019 (the "Senior Notes due 2019") to qualified institutional buyers. The Senior Notes due 2019 were not registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities laws. The Senior Notes due 2019 bear interest at a rate of 7.875% per annum payable semiannually, in cash in arrears, on March 1 and September 1 of each year, commencing March 1, 2015 and maturing on September 1, 2019. The Senior Notes due 2019 are guaranteed by each of our direct and indirect wholly-owned restricted subsidiaries (other than certain excluded subsidiaries) that are obligors under, or guarantee obligations under, our existing credit agreement (or certain replacements thereof) or guarantee certain capital markets indebtedness of the Company or any guarantor of the Senior Notes due 2019. The Senior Notes due 2019 and the guarantees thereof are unsecured, unsubordinated indebtedness of the Company and the guarantors. For additional information refer to **Note 6—Debt** of the Consolidated Financial Statements included within.

On February 13, 2015, we completed an additional private placement of $400.0 million aggregate principal amount of 7.875% Senior Notes due 2019 to qualified institutional buyers. The terms of the additional private placement were identical to the original issuance of Senior Notes due 2019. For additional information refer to **Note 18—Subsequent Events** of the Consolidated Financial Statements included within.

Investment in Common Stock and Preferred Stock

On September 11, 2014, we entered into an Investment Agreement (the "Investment Agreement") with Public Sector Pension Investment Board ("PSP Investments"), GIC Private Limited ("GIC") (an affiliate of Singapore's sovereign wealth fund), and Ontario Teachers' Pension Plan Board ("OTPP"). Pursuant to the Investment Agreement, on September 17, 2014, we issued and sold 10,702,934 shares in the aggregate of common stock ("Purchased Common Stock") and 371,848 shares in the aggregate of our Series B Convertible Perpetual Preferred Stock ("Purchased Preferred Stock") in a private placement. The purchase price per share of Purchased Common Stock was $30.66 (resulting in aggregate gross proceeds to the Company of approximately $328.0 million), and the purchase price per share of Purchased Preferred Stock was $1,000 (resulting in aggregate gross proceeds to the Company of approximately $372.0 million). The Company received net proceeds of $684.2 million after equity issuance costs. The Purchased Preferred Stock was mandatorily convertible into an aggregate of 12,128,115 additional shares of Company common stock subject to the approval of the Company's stockholders. The Company held a special meeting of stockholders of the Company on December 23, 2014 in which the Company's stockholders approved the issuance of shares of Company common stock upon the conversion of the Purchased Preferred Stock. Immediately following the special meeting, the Purchased Preferred Stock was automatically converted into 12,128,115 shares of the Company common stock. No additional consideration was received by the Company in connection with the conversion of the Purchased Preferred Stock into Company common stock.

The Purchased Preferred Stock was issued with an initial conversion price of $30.66, which represented a 5% discount to the then-current trailing 20-day volume weighted average price. As of September 11, 2014, our common stock price was $34.05. As a result, the conversion feature was issued "in-the-money" and we allocated the intrinsic value of the conversion feature of $40.9 million to additional paid-in capital. The beneficial conversion feature was contingent upon receiving the approval of our stockholders and was therefore recognized in net income/(loss) available to common stockholders upon receiving stockholder approval. For additional information refer to **Note 10—Stockholder's Equity** of the Consolidated Financial Statements included within.

Rebranding of Express-1 and 3PD

During the quarter ended June 30, 2014, the Company rebranded its Express-1 business to XPO Express and its last mile delivery logistics business to XPO Last Mile. As a result of these actions, the Company accelerated the amortization of $3.3 million of indefinite-lived intangible assets related to the Express-1 trade name based on the reduction in its remaining useful life. The full $3.3 million of accelerated amortization was recorded during the quarter ended June 30, 2014 and represented the full value of the Express-1 trade name intangible asset. The impact of rebranding the last mile business was a shortening of the useful life of the 3PD trade name definite-lived intangible asset. The last mile rebranding did not have a material impact on results for the year.

Restructuring

On March 31, 2014, we initiated a facility rationalization and severance program to close facilities and reduce employment in order to improve efficiency and profitability in conjunction with our acquisition of Pacer. The program includes facility exit activities and employment reduction initiatives. During the year ended December 31, 2014, we incurred $11.4 million of restructuring costs related to the program. For additional information refer to **Note 4—Restructuring Charges** of the Consolidated Financial Statements included within.

Amended Revolving Loan Credit Agreement

On April 1, 2014, we and certain of our wholly-owned subsidiaries entered into a $415 million multicurrency secured revolving loan facility with a commitment termination date of October 17, 2018. The principal amount of the commitments under the amended credit facility may be increased by an aggregate amount of up to $100 million, subject to certain terms and conditions specified in the Amended Credit Agreement. The Amended Credit Agreement replaces and supersedes in its entirety the $125 million multicurrency secured Credit Agreement that we entered into on October 18, 2013. We can use the proceeds of the Amended Credit Agreement for ongoing working capital needs and other general corporate purposes, including strategic acquisitions. At December 31, 2014, the Company had no amount drawn under the Amended Credit Agreement.

On August 8, 2014, we amended our revolving loan facility to permit, among other things, the acquisition of New Breed and the related transactions and the offering of the Senior Notes due 2019.

For additional information refer to **Note 6—Debt** of the Consolidated Financial Statements included within.

Convertible Debt Offering and Conversions

On September 26, 2012, we completed a registered underwritten public offering of 4.50% Convertible Senior Notes due October 1, 2017 (the "Convertible Notes"), in an aggregate principal amount of $125.0 million. On October 17, 2012, the underwriters exercised the overallotment option to purchase $18.8 million additional principal amount of the Convertible Notes. We received $138.5 million in net proceeds after underwriting discounts, commissions and expenses were paid. The Convertible Notes were allocated to long-term debt and equity in the amounts of $106.8 million and $31.7 million, respectively. These amounts are net of debt issuance costs of $4.1 million for debt and $1.2 million for equity.

We are obligated to pay holders of the Convertible Notes interest semiannually in arrears on April 1 and October 1 of each year which began on April 1, 2013. The Convertible Notes will mature on October 1, 2017 unless earlier converted or repurchased. The conversion rate was initially 60.8467 shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $16.43 per share of common stock) and is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.

Through December 31, 2014, we have entered into transactions pursuant to which we have issued an aggregate of 2,249,860 shares of our common stock to certain holders of the Convertible Notes in connection with the conversion of $37.0 million aggregate principal amount of the Convertible Notes. Certain of these transactions included induced conversions pursuant to which we paid the holder a market-based premium in cash. The negotiated market-based premiums, in addition to the difference between the current fair value and the book value of the Convertible Notes, are reflected in interest expense. The number of shares of common stock issued in the foregoing transactions equals the number of shares of common stock presently issuable to holders of the Convertible Notes upon conversion under the original terms of the Convertible Notes.

Common Stock Offerings

On February 5, 2014, we closed a registered underwritten public offering of 15,000,000 shares of common stock, and on February 11, 2014 we closed as part of the same public offering the sale of an additional 2,250,000 shares as a result of the full exercise of the underwriters' overallotment option, in each case at a price of $25.00 per share (together, the "February 2014 Offering"). We received $413.2 million in net proceeds from the February 2014 Offering after underwriting discounts and expenses.

On August 13, 2013, we closed a registered underwritten public offering of 9,694,027 shares of common stock, and on August 16, 2013 we closed as part of the same public offering the sale of an additional 1,454,104 shares as a result of the full exercise of the underwriters' overallotment option, in each case at a price of $22.75

per share (together, the “August 2013 Offering”). We received $239.5 million in net proceeds from the August 2013 Offering after underwriting discounts and expenses.

On March 20, 2012, we closed a registered underwritten public offering of 9,200,000 shares of common stock (the “2012 Offering”), including 1,200,000 shares issued and sold as a result of the full exercise of the underwriters’ overallotment option, at a price of $15.75 per share. We received $137.0 million in net proceeds from the 2012 Offering after underwriting discounts and estimated expenses.

Statement of Operations Presentation

Certain prior period statement of operations line items have been conformed to the 2014 presentation, including the retitling of direct expense to cost of purchased transportation and services and the addition of the direct operating expense category. The conformed line items had no impact on previously reported income.

Other Reporting Disclosures

The following section describes some of our revenue and expense categories and is provided to facilitate investors’ understanding of the discussion of our financial results below.

Revenue

Revenue is generated through the rates, fuel surcharges and other fees we charge our customers for our portfolio of freight transportation services as well as through contracts for services provided to certain customers and is impacted by changes in volume, product mix, length of haul, route changes and contracted services provided. The freight transportation and logistics services we provide include truckload, less-than-truckload, and intermodal brokerage, last-mile delivery logistics services, time-critical, urgent shipment solutions, freight forwarding, and contract logistics services.

Cost of purchased transportation and services

Cost of purchased transportation and services, which is only incurred in our Transportation segment, is primarily attributable to the cost of procuring freight transportation services for our customers, commissions paid to independent station owners in our freight forwarding business, and insurance and truck leasing expense in our expedited business. Our non-asset operating model provides transportation capacity through variable cost third-party transportation arrangements, therefore enabling us to be flexible to adapt to changes in economic or industry conditions. Our primary means of providing capacity are through our base of independent owner operators and contract carriers for ground transportation and air charter services in our expedited business and our network of independent truck, rail, ocean and air carriers in our freight brokerage and freight forwarding businesses.

Net revenue

Net revenue is total revenue less the cost of purchased transportation and services. This discussion and analysis refers from time to time to net revenue margin. We use the term net revenue margin to refer to the quotient, expressed as a percentage, of net revenue divided by revenue.

Direct operating expense

Direct operating expenses are both fixed and variable expenses directly relating to our intermodal, last mile and contract logistics operations and consist of intermodal equipment lease expense, depreciation expense, maintenance and repair costs, and property taxes; fixed terminal and cargo handling expenses; operating costs of our local drayage and last mile warehousing facilities; and operating costs related to our contract logistics facilities. Intermodal equipment maintenance and repair costs consist of the costs related to the upkeep of the intermodal equipment fleet. Fixed terminal and cargo handling costs primarily relate to the fixed rent and storage expense charged by terminal operators. Operating costs of our local drayage and last mile warehousing facilities consist mainly of labor, rent, maintenance, utilities and other facility related costs. Operating costs of our contract logistics facilities consist mainly of personnel costs, facility and equipment expenses, materials and supplies, information technology expenses, depreciation expense and other operating expenses related to our contract logistics facilities.

Sales, general and administrative expense

Sales, general and administrative expense ("SG&A") consists of costs relating to customer acquisition, carrier procurement, billing, customer service, salaries and related expenses of the executive and administrative staff, acquisition-related costs, office expenses, technology services, professional fees and other purchased services relating to the aforementioned functions, and depreciation (excluding railcar, container and chassis depreciation related to our intermodal business and depreciation related to our contract logistics facilities and equipment) and amortization expense. The purchased services category includes professional and consulting fees, legal fees and other services purchased from third-parties. The other SG&A expense category includes expense related to supplies, travel, communications, facilities, insurance, the provision for allowance for doubtful accounts, equity-based compensation and other administrative costs.

XPO Logistics, Inc.
Consolidated Statement of Operations
For the Year Ended December 31,
(In millions)

				Percent of Revenue		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Revenue	$2,356.6	$702.3	$278.6	100.0%	100.0%	100.0%
Cost of purchased transportation and services	1,701.8	578.7	237.8	72.2%	82.4%	85.4%
Net revenue	654.8	123.6	40.8	27.8%	17.6%	14.6%
Direct operating expense	273.2	6.4	—	11.6%	0.9%	— %
SG&A expense						
Salaries & benefits	213.8	100.3	39.3	9.1%	14.3%	14.1%
Other SG&A expense	72.0	25.3	11.6	3.1%	3.6%	4.2%
Purchased services	50.1	23.3	15.4	2.1%	3.3%	5.5%
Depreciation & amortization	86.6	20.6	2.5	3.7%	2.9%	0.9%
Total SG&A expense	422.5	169.5	68.8	18.0%	24.1%	24.7%
Operating loss	(40.9)	(52.3)	(28.0)	(1.8)%	(7.4)%	(10.1)%
Other expense	0.8	0.5	0.3	— %	0.1%	0.1%
Interest expense	48.0	18.2	3.2	2.0%	2.6%	1.1%
Loss before income tax benefit	(89.7)	(71.0)	(31.5)	(3.8)%	(10.1)%	(11.3)%
Income tax benefit	(26.1)	(22.5)	(11.2)	(1.1)%	(3.2)%	(4.0)%
Net loss	$ (63.6)	$ (48.5)	$ (20.3)	(2.7)%	(6.9)%	(7.3)%

Consolidated Results

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Our consolidated revenue for 2014 increased 235.6% to $2,356.6 million from $702.3 million in 2013. This increase was driven largely by the acquisitions of Pacer, 3PD, New Breed and NLM as well as the organic growth of our freight brokerage cold-start locations.

Total net revenue for 2014 increased 429.8% to $654.8 million from $123.6 million in 2013. Net revenue margin was 27.8% in 2014 as compared to 17.6% in 2013. The increase in net revenue margin primarily relates to the acquisitions of New Breed, Pacer, 3PD and NLM as well as organic improvement to net revenue margin at our freight brokerage locations. Revenue associated with NLM is recorded on a net basis. Total gross and net revenue attributable to New Breed and NLM is recorded in net revenue.

Direct operating expense for 2014 was $273.2 million, or 11.6% as a percentage of revenue, compared to $6.4 million, or 0.9% as a percentage of revenue, for 2013. Direct operating expense, which includes the expense of certain intermodal, drayage and warehousing operations, increased due to the acquisitions of New Breed, Pacer and 3PD. Prior to the acquisitions of New Breed, Pacer and 3PD, we had no such operations. The direct operating expense for 2013 represented 3PD's expense for the post-acquisition period only.

SG&A expense increased by $253.0 million in 2014 compared to 2013. As a percentage of revenue, SG&A expense decreased to 18.0% in 2014 as compared to 24.1% in 2013. SG&A expense increased due to acquisitions; increased sales force recruitment costs; investments in information technology; and costs associated with expanding new and existing freight brokerage offices. SG&A expense also included restructuring, integration and transaction costs related to the acquisitions of New Breed, Pacer and ACL as well as $48.4 million of increased intangible asset amortization related to acquisitions.

Interest expense for 2014 increased 163.7% to $48.0 million from $18.2 million in 2013. Interest expense included $14.4 million of debt commitment fees in relation to our acquisitions of New Breed and Pacer as well as $5.5 million of expense related to the conversion of our Convertible Notes. The remainder of interest expense was related to our Senior Notes due 2019, Convertible Notes and other debt facilities.

Our effective income tax rates in 2014 and 2013 were 29.1% and 31.7%, respectively. We recognized a tax benefit in both 2014 and 2013 due to the net operating losses incurred. Our effective tax rate was reduced by various non-deductible costs (including those related to the Company's acquisitions, interest related to conversions of our convertible debt and change in valuation allowance) and the mix of income among the various jurisdictions in which the Company does business.

The increase in net loss was due primarily to higher SG&A expenses associated with acquisitions; sales force recruitment; information technology costs; costs associated with our new and existing freight brokerage offices; transaction and integration costs; an increase in intangible asset amortization; and higher interest expense.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Our consolidated revenue for 2013 increased 152.1% to $702.3 million from $278.6 million in 2012. This increase was driven largely by the acquisitions of Turbo Logistics, Inc. and Turbo Dedicated, Inc. (collectively, "Turbo"), 3PD, Covered Logistics, Inc. ("Covered"), Interide Logistics, LC ("Interide"), East Coast Air Charter, and Optima, and the organic growth of our freight brokerage cold-start locations. Turbo was acquired on October 24, 2012.

Total net revenue for 2013 increased 202.9% to $123.6 million from $40.8 million in 2012. As a percentage of revenue, net revenue was 17.6% in 2013 as compared to 14.6% in 2012. The increase in net revenue as a percentage of revenue is primarily attributable to higher net revenue margins in our Transportation segment, primarily as a result of increased net revenue margins in our truck brokerage business.

Direct operating expense, which includes the expense of certain warehousing operations, for 2013 was $6.4 million, or 0.9% as a percentage of revenue. Direct operating expense increased due to the acquisition of 3PD in 2013. Prior to the acquisition of 3PD, we had no such operations.

SG&A expense as a percentage of revenue was 24.1% in 2013, as compared to 24.7% in 2012. SG&A expense increased by $100.7 million in 2013 compared to 2012, primarily due to significant growth initiatives, including six acquisitions; costs associated with our new freight brokerage offices; and an increase in Corporate SG&A.

Interest expense for 2013 increased 468.8% to $18.2 million from $3.2 million in 2012. The increase in interest expense is primarily attributable to a $9.1 million year over year increase in interest on our Convertible Notes, a debt commitment fee of $3.0 million related to our acquisition of 3PD and interest expense of $2.4 million related to the conversion of our Convertible Notes.

Our effective income tax rates were 31.7% and 35.6% for 2013 and 2012, respectively. We recognized a tax benefit in both 2013 and 2012 due to the net operating losses incurred. The difference in the income tax rate for 2013 relates to the recording of tax expense in certain state and foreign jurisdictions, the non-deductible interest expense on convertible debt, and the change in the provision for uncertain tax positions.

The increase in net loss was due primarily to higher SG&A expenses associated with significant growth initiatives, costs associated with our new freight brokerage offices, and an increase in Corporate costs. Additionally, the Company incurred higher interest expense and recorded the accelerated amortization of the Concert Group Logistics trade name indefinite-lived intangible assets.

Transportation
Statement of Operations Data
For the Year Ended December 31,
(In millions)

				Percent of Revenue		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
Revenue	$2,140.0	$702.3	$278.6	100.0%	100.0%	100.0%
Cost of purchased transportation and services	1,701.8	578.7	237.8	79.5%	82.4%	85.4%
Net revenue	438.2	123.6	40.8	20.5%	17.6%	14.6%
Direct operating expense	90.0	6.4	—	4.2%	0.9%	— %
SG&A expense						
Salaries & benefits	175.0	78.3	25.8	8.2%	11.1%	9.3%
Other SG&A expense	56.4	19.6	7.2	2.6%	2.8%	2.6%
Purchased services	20.4	6.9	3.3	1.0%	1.0%	1.2%
Depreciation & amortization	77.5	19.6	2.1	3.6%	2.8%	0.8%
Total SG&A expense	329.3	124.4	38.4	15.4%	17.7%	13.9%
Operating income (loss)	$ 18.9	$ (7.2)	$ 2.4	0.9%	(1.0)%	0.7%

Transportation

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue in our Transportation segment increased by 204.7% to $2,140.0 million in 2014 compared to $702.3 million in 2013. This increase was driven largely by the acquisitions of Pacer, 3PD and NLM as well as the organic growth of our freight brokerage locations.

Total net revenue for 2014 increased 254.5% to $438.2 million from $123.6 million in 2013. Net revenue margin was 20.5% in 2014 as compared to 17.6% in 2013. The increase in net revenue margin primarily relates to the acquisitions of Pacer, 3PD and NLM as well as improvement in net revenue margin at our freight brokerage locations. Revenue associated with NLM is recorded on a net basis.

Direct operating expense for 2014 was $90.0 million, or 4.2% as a percentage of revenue, compared to $6.4 million, or 0.9% as a percentage of revenue, for 2013. Direct operating expense, which includes the expense of certain intermodal, drayage and warehousing operations, increased due to the acquisitions of Pacer and 3PD. Prior to the acquisitions of Pacer and 3PD, we had no such operations. The direct operating expense for 2013 represented 3PD's expense for the post-acquisition period only.

SG&A expense increased by 164.7% to $329.3 million in 2014 from $124.4 million in 2013. As a percentage of revenue, SG&A expense decreased to 15.4% in 2014 as compared to 17.7% in 2013. The increase in SG&A expense was due to acquisitions, sales force expansion costs, technology and training costs, as well as $42.7 million of increased intangible asset amortization related to acquisitions.

Our Transportation segment generated operating income of $18.9 million in 2014 compared to an operating loss of $7.2 million in 2013. The increase in operating income was primarily attributable to our acquisitions of Pacer and 3PD and the organic growth of our existing freight brokerage locations.

Management's growth strategy for the Transportation segment is to:

- Acquire complementary, non-asset based transportation businesses that would benefit from our scale and potential access to capital;
- Market our broader multi-modal offering to customers of all sizes, both new business and existing accounts;
- Expand our footprint by opening new sales offices;
- Recruit sales and service representatives and improve employee productivity with state-of-the-art training and information technology;
- Focus on carrier recruitment and retention, as well as improved utilization of the current carrier fleet;
- Build leadership positions in the fastest-growing areas of transportation;
- Integrate industry best practices, with specific focus on better leveraging our scale and lowering administrative overhead; and
- Continue to integrate our information technology platform.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Our Transportation segment revenue for 2013 increased 152.1% to $702.3 million from $278.6 million in 2012. This increase was driven largely by the acquisitions of Turbo, 3PD, Covered, Interide, East Coast Air Charter, and Optima, as well as the organic growth of our freight brokerage cold-start locations.

Total net revenue for 2013 increased 202.9% to $123.6 million from $40.8 million in 2012. As a percentage of revenue, net revenue was 17.6% in 2013 as compared to 14.6% in 2012. The increase in net revenue as a percentage of revenue is attributable to higher net revenues in our freight brokerage and freight forwarding operations. Freight brokerage net revenues improved due to prior acquisitions and higher net revenue percentage at our cold start locations. In freight forwarding, the increase in net revenue margin was primarily driven by branch conversions from independent ownership to Company ownership.

Direct operating expense for 2013 was $6.4 million, or 0.9% as a percentage of revenue. Direct operating expense, which includes the expense of certain warehousing operations, increased due to the acquisition of 3PD. Prior to the acquisition of 3PD, we had no such operations.

SG&A expense as a percentage of revenue was 17.7% in 2013, as compared to 13.9% in 2012. SG&A expense increased by $86.0 million in 2013 compared to 2012, due to significant growth initiatives, including six acquisitions, and costs associated with our new freight brokerage offices.

Our Transportation segment generated an operating loss of $7.2 million in 2013 compared to operating income of $2.4 million in 2012. The decrease in operating income was attributable to the increase in SG&A expense as described above.

Logistics
Statement of Operations Data
For the Year Ended December 31,
(In millions)

	2014	Percent of Revenue 2014
Net revenue	$216.6	100.0%
Direct operating expense	183.2	84.6%
SG&A expense		
Salaries & benefits	6.3	2.9%
Other SG&A expense	1.8	0.8%
Purchased services	1.1	0.5%
Depreciation & amortization	6.6	3.0%
Total SG&A expense	15.8	7.2%
Operating income	$ 17.6	8.2%

Logistics

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

We established our Logistics segment through the acquisition of New Breed in September 2014. New Breed is a preeminent U.S. provider of asset-light based, complex, technology-enabled contract logistics for large multi-national and medium-sized corporations and government agencies.

Net revenue in our Logistics segment was $216.6 million in 2014. Direct operating expense for 2014 was $183.2 million, or 84.6% as a percentage of revenue. SG&A expense was $15.8 million in 2014, or 7.2% as a percentage of revenue. Operating income was $17.6 million for 2014.

Management's growth strategy for Logistics is to:

- Focus sales and marketing investments to capture additional business in the technology/telecom, retail/e-commerce, aerospace, medical equipment and manufacturing sectors by leveraging the segment's proprietary technology, network of facilities and industry-specific experience;
- Increase share of spend with existing contract logistics customers who may outsource more of this business to XPO, and who have broader transportation needs we can service;
- Pursue selective acquisitions of complementary contract logistics operations; and
- Cross-sell technology-enabled contract logistics and managed transportation services to large customers of our other business segment.

XPO Corporate
Summary of Sales, General and Administrative Expense
For the Year Ended December 31,
(In millions)

	2014	2013	2012	Percent of Consolidated Revenue 2014	2013	2012
SG&A expense						
Salaries & benefits	32.5	22.0	13.5	1.4%	3.1%	4.8%
Other SG&A expense	13.8	5.7	4.4	0.6%	0.8%	1.6%
Purchased services	28.6	16.4	12.1	1.2%	2.3%	4.3%
Depreciation and amortization	2.5	1.0	0.4	0.1%	0.1%	0.1%
Total SG&A expense	$77.4	$45.1	$30.4	3.3%	6.3%	10.8%

Corporate

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Corporate SG&A expense in 2014 increased by $32.3 million compared to 2013. Salaries and benefits increased due to the costs of restructuring at Pacer and an increase in headcount in IT and corporate shared services. Purchased services increased in 2014 due largely to acquisition-related transaction costs. Other SG&A expense increased largely due to the costs of restructuring facility leases at Pacer.

Corporate SG&A for 2014 included: $14.3 million of acquisition-related transaction costs; $11.4 million of restructuring charges related to the acquisition of Pacer, including $0.8 million of non-cash share based compensation; $5.7 million of additional shared services costs related to the acquisition of Pacer; $5.9 million of litigation-related legal costs; and $6.7 million of other non-cash share based compensation.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Corporate SG&A expense in 2013 increased by $14.7 million compared to 2012. Salaries and benefits increase was driven by a year-over-year increase in headcount in corporate shared services. Purchased services increased in 2013 due largely to $6.5 million of acquisition-related transaction costs. Corporate SG&A for 2013 also included $4.9 million of litigation-related legal costs and $4.7 million of non-cash share based compensation.

Liquidity and Capital Resources

General

As of December 31, 2014, we had working capital of $852.0 million, including cash of $644.1 million, compared to working capital of $70.7 million, including cash of $21.5 million, as of December 31, 2013. This increase of $781.3 million in working capital during the year was mainly due to our issuance of $700.0 million of preferred and common stock in September 2014.

We continually evaluate our liquidity requirements, capital needs and availability of capital resources based on our operating needs and our planned growth initiatives. In addition to our existing cash balances and net cash provided by operating activities, in certain circumstances we may also use debt financings and issuances of equity or equity-related securities to fund our operating needs and growth initiatives. See the discussion below in the Debt Facilities section regarding our amended $415 million multicurrency secured revolving loan credit facility.

We believe that our existing cash balances and availability under our amended revolving credit facility will be sufficient to finance our existing operations.

Cash Flow

During 2014, $21.3 million was used in cash from operations compared to $66.3 million used for 2013 and $24.3 million used for 2012. The primary use of cash for 2014, 2013 and 2012 was payment of transportation services, direct operating expenses and various SG&A expenses.

Cash generated from revenue equaled $2,212.8 million for 2014 as compared to $665.3 million for 2013 and $264.8 million for 2012 and correlates directly with the revenue increase between the periods. Cash flow increases are related primarily to volume increases between the periods ended December 31, 2014, 2013 and 2012.

Cash used for payment of transportation services and direct operating expenses in 2014 equaled $1,929.9 million as compared to $585.1 million for 2013 and $223.0 million for 2012. The increase in cash outflows between the periods also directly correlates to the increase in revenues between the periods ended December 31, 2014, 2013 and 2012.

Other operating uses of cash included SG&A items, which equaled $299.7 million, $134.4 million and $67.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. Payroll represents the most significant SG&A item. For 2014, cash used for payroll equaled $138.3 million as compared to $74.9 million for 2013 and $31.3 million for 2012.

Investing activities used $858.3 million for 2014 compared to a use of $470.3 million and $64.2 million from these activities for 2013 and 2012, respectively. During 2014, $814.0 million was used in acquisitions and $44.6 million was used to purchase fixed assets while $0.3 million was provided by other investing activities. During 2013, $458.8 million was used for acquisitions and $11.6 million was used to purchase fixed assets while $0.1 million was provided by other investing activities. During 2012, $57.2 million was used for acquisitions and $7.0 million was used to purchase fixed assets.

Financing activities generated $1,502.2 million for 2014 compared to $305.7 million and $266.8 million generated for 2013 and 2012, respectively. Our main sources of cash from financing activities during 2014 were the $733.8 million of net proceeds from the issuance of common stock, $489.6 million of net proceeds from the issuance of the Senior Notes due 2019, $363.6 million of net proceeds from the issuance of preferred stock and $130.0 million borrowed against our revolving credit facility. Our primary uses of cash were the $205.0 million used to repay borrowings on the revolving credit facility, dividends paid to preferred stockholders of $2.9 million, $3.4 million used to pay tax withholdings on restricted shares and $3.5 million used for other financing activities. During 2013, our main sources of cash from financing activities were the $239.5 million of net proceeds from the issuance of common stock and the $73.3 million of net proceeds from borrowing on our revolving credit facility while our primary uses of cash were the dividends paid to preferred stockholders of $3.0 million, $1.6 million used to pay tax withholdings on restricted shares and $2.5 million related to other financing activities. During 2012, our main sources of cash were $138.5 million of net proceeds from the issuance of the Convertible Notes and $137.0 million of net proceeds from the issuance of common stock while our primary use of cash was the dividend paid to preferred stockholders of $3.0 million, $1.2 million used to pay tax withholdings on restricted shares and $4.5 million related to other financing activities.

Debt Facilities

On April 1, 2014, we and certain of our wholly-owned subsidiaries, as borrowers, entered into the $415 million multicurrency secured Amended Credit Agreement with the lender parties thereto and Morgan Stanley Senior Funding, Inc., as administrative agent for such lenders, with a commitment termination date of October 1, 2018. The principal amount of the commitments under the Amended Credit Agreement may be increased by an aggregate amount of up to $100 million, subject to certain terms and conditions specified in the Amended Credit Agreement. The Amended Credit Agreement replaces and supersedes in its entirety the $125 million multicurrency secured Revolving Loan Credit Agreement that we entered into on October 18, 2013. On August 8, 2014, we amended our revolving loan facility to permit, among other things, the acquisition of New Breed and the related transactions and the offering of the Senior Notes due 2019.

The proceeds of the Amended Credit Agreement may be used by us and our subsidiaries for ongoing working capital needs, other general corporate purposes, including strategic acquisitions, and fees and expenses in connection with the transaction. At December 31, 2014, the Company had no amount drawn under the Amended Credit Agreement. The Company was in compliance, in all material respects, with all covenants related to the Amended Credit Agreement as of December 31, 2014. Borrowings under the Amended Credit Agreement bear interest at a per annum rate equal to, at our option, the one, two, three or six month (or such other period less than one month or greater than six months as the lenders may agree) LIBOR rate plus a margin of 1.75% to 2.25%, or a base rate plus a margin of 0.75% to 1.25%. The borrowers are required to pay an undrawn commitment fee equal to 0.25% or 0.375% of the quarterly average undrawn portion of the commitments under the Amended Credit Agreement, as well as customary letter of credit fees. The margin added to LIBOR, or base rate, will depend on our quarterly average availability of the commitments under the Amended Credit Agreement.

All obligations under the Amended Credit Agreement are secured by substantially all of our assets and unconditionally guaranteed by certain of our subsidiaries, provided that no foreign subsidiary guarantees, and no assets of any foreign subsidiary secure, any obligations of any domestic borrower. The Amended Credit Agreement contains representations, warranties and covenants that are customary for agreements of this type. Among other things, the covenants in the Amended Credit Agreement limit our ability to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make certain investments and restricted payments; and enter into certain transactions with affiliates. In certain circumstances, the Amended Credit Agreement also requires us to maintain minimum EBITDA or, at our election, maintain a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement) of not less than 1.00 to 1.00. If an event of default under the Amended Credit Agreement occurs and is continuing, the commitments thereunder may be terminated and the principal amount outstanding thereunder, together with all accrued unpaid interest and other amounts owed thereunder, may be declared immediately due and payable. Certain subsidiaries acquired by us in the future may be excluded from the restrictions contained in certain of the foregoing covenants. We do not believe that the covenants contained in the Amended Credit Agreement will impair our ability to execute our strategy.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2014 (in millions):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
Capital leases payable	$ 0.2	$ 0.1	$ 0.1	$ —	$ —
Notes payable	1.8	1.7	0.1	—	—
Operating leases	342.1	123.7	129.6	67.5	21.3
Purchase commitments	8.3	6.4	1.9	—	—
Employment contracts	17.6	8.4	8.7	0.5	—
Severance	2.3	2.1	0.2		
Convertible senior notes	120.0	4.8	115.2	—	—
Senior notes due 2019	683.8	39.4	78.8	565.6	
Total contractual cash obligations	$1,176.1	$186.6	$334.6	$633.6	$21.3

In addition to the obligations in the table above, we are contractually obligated to pay up to $21.1 million of purchase price holdbacks retained in connection with acquisitions, subject to resolution of, and set-off with respect to, any indemnifiable claims. The timing of such payments depends on the resolution of the underlying indemnifiable claims, and we cannot predict when such payments may be due. We do not have any other material commitments that have not been disclosed elsewhere.

CRITICAL ACCOUNTING ESTIMATES

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period.

We review our estimates, including but not limited to: recognition of revenue, costs of purchased transportation and services, direct operating expenses, recoverability of long-lived assets, estimated legal accruals, estimated restructuring accruals, valuation allowances for deferred taxes, reserve for uncertain tax positions, and allowance for doubtful accounts, on a regular basis and make adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates are reasonable and has discussed them with the audit committee of our board of directors. However, actual results could differ from these estimates. Note 2 to our Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. There were no significant changes to our critical accounting policies in 2014. The following is a brief discussion of our critical accounting policies and estimates.

Revenue Recognition

We recognize revenue at the point in time when delivery is completed and the shipping terms of the contract have been satisfied, or in the case of our contract logistics business, based on specific, objective criteria within the provisions of each contract as described below. Related costs of delivery and service are accrued and expensed in the same period the associated revenue is recognized. Revenue is recognized once the following criteria have been satisfied:

- Persuasive evidence of an arrangement exists;
- Services have been rendered;
- The sales price is fixed and determinable; and
- Collectability is reasonably assured.

Our Logistics segment recognizes a significant portion of its revenue based on objective criteria that do not require significant estimates or uncertainties. Revenues on cost-reimbursable contracts are recognized by applying a factor to costs as incurred, such factor being determined by the contract provisions. Revenues on unit-price contracts are recognized at the contractual selling prices of work completed. Revenues on time and material contracts are recognized at the contractual rates as the labor hours and direct expenses are incurred. Revenues from fixed-price contracts are recognized as services are provided, unless revenues are earned and obligations fulfilled in a different pattern. Generally, the contracts contain provisions for adjustments to future pricing based upon changes in volumes, services and other market conditions, such as inflation. Revenues relating to such incentive or contingency payments are recorded when the contingency is satisfied, and we conclude the amounts are earned.

We evaluate all agreements for multiple elements and aggregation of individual agreements into a multiple element agreements. Within our intermodal business, we have entered into certain agreements that represent multiple-deliverable arrangements. Deliverables under the arrangements represent separate units of accounting that have stand-alone value and no customer-negotiated refunds or return rights exist for the delivered services. These deliverables consist of network management fees, equipment use fees, ocean carrier intermodal services and drayage services. Revenue is allocated to each deliverable based on the relative selling price method. The relative selling price method is based on a hierarchy consisting of vendor-specific objective evidence (VSOE), if available, third-party evidence (TPE), if VSOE is not available, or estimated selling prices (ESP), if neither VSOE nor TPE is available. For the ocean carrier intermodal and drayage services, revenue is allocated based on VSOE. VSOE is not available for either the network management fees or the equipment fees. TPE was established for the equipment fees by evaluating similar and interchangeable competitor services in stand-alone sales. TPE could not be established for the network management fees. Therefore, we determined ESP for the network management fees by considering several external and internal factors including, but not limited to, pricing practices, similar product offerings, margin objectives and internal costs. ESP for each deliverable is updated, when appropriate, to ensure that it reflects recent pricing experience. Revenue is recognized for each of the deliverables when the revenue recognition conditions discussed above are met. No other multiple element arrangements have been identified.

For all subsidiaries (other than XPO NLM and New Breed with respect to those transactions where New Breed is serving as the customer's agent in arranging purchased transportation), we report revenue on a gross basis in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standard Codification ("ASC") Topic 605, "*Reporting Revenue Gross as Principal Versus Net as an Agent.*" We believe presentation on a gross basis is appropriate under ASC Topic 605 in light of the following factors:

- We are the primary obligor and are responsible for providing the service desired by the customer.
- The customer holds us responsible for fulfillment, including the acceptability of the service (requirements may include, for example, on-time delivery, handling freight loss and damage claims, establishing pick-up and delivery times, tracing shipments in transit, and providing contract-specific services).
- For our expedited, truck brokerage, last mile and intermodal businesses, we have complete discretion to select contractors or other transportation providers (collectively, "service providers"). For our freight forwarding business, we enter into agreements with significant service providers that specify the cost of services, among other things, and have ultimate authority in providing approval for all service providers that can be used by our independently-owned stations. Independently-owned stations may further negotiate the cost of services with approved service providers for individual customer shipments.
- We have complete discretion to establish sales and contract pricing. Independently-owned stations within our freight forwarding business have the discretion to establish sales prices.
- We bear credit risk for all receivables. In the case of freight forwarding, the independently-owned stations reimburse us for a portion (typically 70-80%) of credit losses. We retain the risk that the independent station owners will not meet this obligation.

For our subsidiaries XPO NLM and New Breed with respect to those transactions where New Breed is serving as the customer's agent in arranging purchased transportation, revenue is recognized on a net basis in accordance with ASC Topic 605. We do not serve as the primary obligor. XPO NLM receives a fixed management fee for its services while New Breed receives a variable fee after deducting the cost of purchased transportation. Neither entity assumes credit risk in these transactions. In certain instances with XPO NLM, we also do not have discretion to select service providers.

Valuations for Accounts Receivable

Our allowance for doubtful accounts is calculated based upon the aging of our receivables, our historical experience of uncollectible accounts, and any specific customer collection issues that we have identified. The allowance of $9.8 million as of December 31, 2014 increased compared to the allowance of $3.5 million as of December 31, 2013. We believe that the recorded allowance is sufficient and appropriate based on our customer aging trends, the exposures we have identified and our historical loss experience. A 10% deviation from our estimated allowance for doubtful accounts would have resulted in an increase or decrease of SG&A expense by approximately $1.0 million.

Stock-Based Compensation

We account for share-based compensation based on the equity instrument's grant date fair value in accordance with ASC Topic 718, *"Compensation—Stock Compensation"*. The fair value of each share-based payment award is established on the date of grant. For grants of restricted stock units ("RSUs") subject to service or performance-based vesting conditions only, the fair value is established based on the market price on the date of the grant. For grants of RSUs subject to market-based vesting conditions, the fair value is established using the Monte Carlo simulation lattice model. For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based awards is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends.

The weighted-average fair value of each stock option recorded in expense for the years ended December 31, 2014, 2013 and 2012 was estimated on the date of grant using the Black-Scholes option pricing model and is amortized over the requisite service period of the option. We have used one grouping for the assumptions, as our option grants have similar characteristics. The expected term of options granted has been derived based upon our history of actual exercise behavior and represents the period of time that options granted are expected to be outstanding. Historical data was also used to estimate option exercises and employee terminations. Estimated volatility is based upon our historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and the expected dividend yield is zero.

For our performance-based restricted stock units ("PRSUs"), we recognize expense on a straight line basis over the awards' requisite service period based on the number of awards expected to vest according to actual and expected financial results of the individual performance periods compared to set performance targets for those periods. If achievement of the performance targets for a PRSU award is not considered to be probable, then no expense will be recognized until achievement of such targets becomes probable. As of December 31, 2014, achievement of the performance targets for the outstanding PRSUs was not considered probable.

Income Taxes

Our annual effective tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is affected by the tax rate on our foreign operations as well as the mix of income between our domestic and foreign operations. In addition to local country tax laws and regulations, this rate depends on the extent earnings are indefinitely reinvested outside the United States. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Company. In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. As of December 31, 2014, the Company has not made a provision for U.S. or additional foreign withholding taxes for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration, if any exists. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing all available evidence, including the reversal of the deferred tax liabilities, carrybacks available and historical and projected pre-tax profits generated by our operations. We also considered tax planning strategies that are prudent and can be reasonably implemented in our evaluation. These sources of income rely heavily on estimates. The reversal of deferred tax liabilities prior to expiration of the deferred tax assets was the most significant factor in our determination of the valuation allowance under the "more likely than not" criteria. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Goodwill

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. We follow the provisions of ASC Topic 350, "*Intangibles—Goodwill and Other*", which requires an annual impairment test for goodwill. We perform the annual impairment testing as of August 31 each year unless events or circumstances indicate impairment of the goodwill may have occurred before that time. We determine fair values for each of the reporting units using an income approach. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing public company market data for our industry to estimate the weighted average cost of capital. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our reporting unit valuations approximated 10.5%. Required rates of return, along with uncertainty inherent in the forecasts of future cash flows, are reflected in the selection of the discount rate. For the periods presented, we did not recognize any goodwill impairment as the estimated fair value of our reporting units with goodwill exceeded the book value of these reporting units.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. If current conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates described above could change in future periods.

Intangible Assets with Definite Lives

We follow the provisions of ASC Topic 360, "*Property, Plant and Equipment*", which establishes accounting standards for the impairment of long-lived assets such as property, plant and equipment and intangible assets subject to amortization. We review long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Fair value is determined based on the present value of estimated future cash flows of the asset, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing public company market data for our industry to estimate the weighted average cost of capital. We use discount rates that are commensurate with the risks and uncertainty associated with the recovery of the asset. Required rates of return, along with uncertainty inherent in the forecasts of future cash flows, are reflected in the selection of the discount rate. Determining whether an impairment loss has occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. During 2014, 2013 and 2012, there was no impairment of the intangible assets with definite lives.

Our intangible assets subject to amortization consist of customer lists and relationships, carrier relationships, trade names, non-compete agreements, and other intangibles. Customer lists and relationships and trade names are amortized on an accelerated basis over the period of economic benefit based on the estimated cash flows attributable to the related intangible assets. Non-compete agreements, carrier relationships and other intangibles are amortized on a straight-line basis over the estimated useful lives of the related intangible asset.

Off-balance Sheet Arrangements

We are not a party to any transactions that would be considered "off-balance sheet arrangements" under Item 303(a)(4) of Regulation S-K.

NEW PRONOUNCEMENTS

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The new standard is to be applied prospectively but retrospective application is permitted. We will implement the provisions of ASU 2013-11 as of January 1, 2015.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for us on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates and foreign currency exchange rates.

Interest Rate Risk. As of December 31, 2014, we held $653.2 million of cash and restricted cash in cash depository and money market funds held in depository accounts at 18 financial institutions. The primary market risk associated with these investments is liquidity risk. We have exposure to changes in interest rates on our revolving credit facility. The interest rates on our revolving credit facility fluctuate based on LIBOR or a base rate plus an applicable margin. Assuming our $415.0 million revolving credit facility was fully drawn at December 31, 2014, a hypothetical 100-basis-point change in the interest rate would increase our annual interest expense by $4.2 million. We do not use derivative financial instruments to manage interest rate risk or to speculate on future changes in interest rates.

Convertible Debt Outstanding. The fair market value of our outstanding issue of Convertible Notes is subject to interest rate and market price risk due to the convertible feature of the notes and other factors. Generally the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The fair market value of the notes may also increase as the market price of our stock rises and decrease as the market price of our stock falls. Interest rate and market value changes affect the fair market value of the Convertible Notes, and may affect the prices at which we would be able to repurchase such convertible senior notes were we to do so. These changes do not impact our financial position, cash flows or results of operations. For additional information on the fair value of our outstanding Convertible Notes, refer to **Note 2—Basis of Presentation and Significant Accounting Policies** of the Consolidated Financial Statements included within.

Senior Notes due 2019 Outstanding. The fair market value of our outstanding issue of Senior Notes due 2019 is subject to interest rate risk. Generally the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. Interest rate changes affect the fair market value of the Senior Notes due 2019, and may affect the prices at which we would be able to repurchase such notes were we to do so. These changes do not impact our financial position, cash flows or results of operations. For additional information on the fair value of our outstanding Senior Notes due 2019, refer to **Note 2—Basis of Presentation and Significant Accounting Policies** of the Consolidated Financial Statements included within.

Foreign Currency Exchange Risk. Our Canadian-based businesses and results of operations are exposed to movements in the U.S. dollar to Canadian dollar foreign currency exchange rate. A portion of our revenue is denominated in Canadian dollars. If the U.S. dollar strengthens against the Canadian dollar, our revenues reported in U.S. dollars would decline. With regard to operating expense, our primary exposure to foreign currency exchange risk relates to operating expense incurred in Canadian dollars. If the Canadian dollar strengthens, costs reported in U.S. dollars will increase. Movements in the U.S. dollar to Canadian dollar foreign currency exchange rate did not have a material effect on our revenue during the year ending December 31, 2014. A hypothetical ten percent change in average exchange rates versus the U.S. dollar would not have resulted in a material change to our earnings. Exchange risk related to other foreign currencies in which we do business is not material.

From time to time, we use foreign currency forward contracts to reduce part of the variability in certain forecasted Canadian dollar denominated cash flows. Generally, these instruments are for maturities of six months or less. We consider several factors when evaluating hedges of our forecasted foreign currency exposures, such as significance of the exposure, offsetting economic exposures and potential costs of hedging. We do not enter into derivative transactions for purposes other than hedging economic exposures. At December 31, 2014, we had no outstanding forward contracts to reduce the variability in our Canadian dollar denominated revenues and operating expenses.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The Consolidated Financial Statements and supplementary data of the Company required by this Item are included at pages 47-85 of this Annual Report on Form 10-K and are incorporated herein by reference.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, as required by paragraph (b) of Rule 13a-15 and 15d-15 of the Exchange Act under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Management's Annual Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the

Exchange Act as a process designed by, or under the supervision of, our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), and effected by our board of directors, management and other personnel, 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. Our internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of our published 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.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth in the Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, we believe that, as of December 31, 2014, our internal control over financial reporting is effective.

We completed the acquisitions of Pacer, ACL and New Breed during 2014. Due to the proximity of certain acquisitions to year-end, we excluded from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014, ACL's and New Breed's internal control over financial reporting associated with total assets of $864,064,211 and total revenues of $258,587,775 included in the Consolidated Financial Statements of XPO Logistics, Inc. and subsidiaries as of and for the year ended December 31, 2014. For additional information on the ACL and New Breed acquisitions, see Note 3 to our audited Consolidated Financial Statements.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report on our internal control over financial reporting as of December 31, 2014. Such report is included on page 46 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

Except as described below, there have not been any changes in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. On March 31, 2014, July 28, 2014, and September 2, 2014, the Company completed its acquisitions of Pacer, ACL and New Breed, respectively, and is in the process of integrating the acquired businesses into the Company's overall internal controls over financial reporting process. For additional information on the acquisitions of Pacer, ACL and New Breed, see Note 3 to Consolidated Financial Statements.

ITEM 9B. *OTHER INFORMATION*

Not applicable.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by Item 10 of Part III of Form 10-K (other than certain information required by Item 401 of Regulation S-K with respect to our executive officers, which is set forth under Item 1 of Part I of this Annual Report on Form 10-K) will be set forth in our Proxy Statement relating to the 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

We have adopted a Senior Officer Code of Business Conduct and Ethics (the "Code"), which is applicable to our principal executive officer, principal financial officer, principal accounting officer and other senior officers. The Code is available on our website at www.xpo.com. In the event that we amend or waive any of the provisions of the Code that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on our website.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 11 of Part III of Form 10-K will be set forth in our Proxy Statement relating to the 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by Item 12 of Part III of Form 10-K (other than certain information required by Item 201(d) of Regulation S-K with respect to equity compensation plans, which is set forth below) will be set forth in our Proxy Statement relating to the 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

Equity Compensation Plan

The following table sets forth information, as of December 31, 2014, with respect to the Company's compensation plans under which equity securities are authorized for issuance.

	Equity Compensation Plan Information		
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders (1)	1,294,795	$11.61	960,795
Equity compensation plans not approved by security holders (2)	50,000	14.09	—
Total	1,344,795	$11.70	960,795

(1) These securities include 1,294,795 stock options. The securities are issuable under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan and a predecessor plan, the Segmentz, Inc. 2001 Stock Option Plan.

(2) These securities were granted to our Chief Financial Officer in February 2012 outside the security holder-approved plan as an employment inducement grant. These securities represent 50,000 stock options.

Additionally, the Company is holding 764 shares of the Company's common stock in an employee stock ownership plan on behalf of qualifying employees. The employee stock ownership plan was terminated effective as of December 31, 2012, and the Company is in the process of liquidating the plan's assets.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE*

The information required by Item 13 of Part III of Form 10-K will be set forth in our Proxy Statement relating to the 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required by Item 14 of Part III of Form 10-K will be set forth in our Proxy Statement relating to the 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Financial Statements and Financial Statement Schedules

The list of Consolidated Financial Statements set forth in the accompanying Index to Consolidated Financial Statements is incorporated herein by reference. Such Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K. All financial statement schedules are omitted because the required information is not applicable, or because the information required is included in the Consolidated Financial Statements and notes thereto.

Exhibits

The exhibits listed on the accompanying Exhibit Index starting on page 86 of this Annual Report on Form 10-K are filed or incorporated by reference as part of this Annual Report on Form 10-K and such Exhibit Index is incorporated herein by reference.

Certain of the agreements listed as exhibits to this Annual Report on Form 10-K (including the exhibits to such agreements), which have been filed to provide investors with information regarding their terms, contain various representations, warranties and covenants of XPO Logistics, Inc. and the other parties thereto. They are not intended to provide factual information about any of the parties thereto or any subsidiaries of the parties thereto. The assertions embodied in those representations, warranties and covenants were made for purposes of each of the agreements, solely for the benefit of the parties thereto. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what a security holder might view as material, or may have been made for purposes of allocating contractual risk among the parties rather than establishing matters as facts. Investors should not view the representations, warranties, and covenants in the agreements (or any description thereof) as disclosures with respect to the actual state of facts concerning the business, operations, or condition of any of the parties to the agreements (or their subsidiaries) and should not rely on them as such. In addition, information in any such representations, warranties or covenants may change after the dates covered by such provisions, which subsequent information may or may not be fully reflected in the public disclosures of the parties. In any event, investors should read the agreements together with the other information concerning XPO Logistics, Inc. contained in reports and statements that we file with the SEC.

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.

February 23, 2015

XPO LOGISTICS, INC.

By: /s/ Bradley S. Jacobs

Bradley S. Jacobs
(Chairman of the Board of Directors and Chief Executive Officer)

By: /s/ John J. Hardig

John J. Hardig
(Chief Financial 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 on the dates indicated.

Signature	Title	Date
/s/ Bradley S. Jacobs **Bradley S. Jacobs**	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 23, 2015
/s/ John J. Hardig **John J. Hardig**	Chief Financial Officer (Principal Financial Officer)	February 23, 2015
/s/ Kent R. Renner **Kent R. Renner**	Senior Vice President—Chief Accounting Officer (Principal Accounting Officer)	February 23, 2015
/s/ G. Chris Andersen **G. Chris Andersen**	Director	February 23, 2015
/s/ Michael G. Jesselson **Michael G. Jesselson**	Director	February 23, 2015
/s/ Adrian P. Kingshott **Adrian P. Kingshott**	Director	February 23, 2015
/s/ James J. Martell **James J. Martell**	Director	February 23, 2015
/s/ Jason D. Papastavrou **Jason D. Papastavrou**	Director	February 23, 2015
/s/ Oren G. Shaffer **Oren G. Shaffer**	Director	February 23, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
XPO Logistics, Inc.:

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, 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 Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of XPO Logistics, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, XPO Logistics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

XPO Logistics, Inc. acquired Simply Logistics Inc. d/b/a Atlantic Central Logistics (ACL), and New Breed Holding Company (New Breed) during 2014, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, ACL's and New Breed's internal control over financial reporting associated with total assets of $864,064,211 and total revenues of $258,587,775, included in the consolidated financial statements of XPO Logistics, Inc. and subsidiaries as of and for the year ended December 31, 2014. Our audit of internal control over financial reporting of XPO Logistics, Inc. also excluded an evaluation of the internal control over financial reporting of ACL and New Breed.

(signed) KPMG LLP

Chicago, IL
February 23, 2015

XPO Logistics, Inc.
Consolidated Balance Sheets
(In millions, except share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 644.1	$ 21.5
Accounts receivable, net of allowances of $9.8 and $3.5, respectively	543.8	134.2
Prepaid expenses	13.2	3.9
Deferred tax asset, current	9.2	3.0
Income tax receivable	15.4	—
Other current assets	7.4	7.4
Total current assets	1,233.1	170.0
Property and equipment, net of $47.3 and $11.8 in accumulated depreciation, respectively	221.9	56.6
Goodwill	929.3	363.4
Identifiable intangible assets, net of $74.6 and $15.4 in accumulated amortization, respectively	341.5	185.2
Restricted cash	9.1	2.1
Other long-term assets	26.3	2.9
Total long-term assets	1,528.1	610.2
Total assets	$2,761.2	$ 780.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 252.7	$ 71.4
Accrued salaries and wages	50.1	11.7
Accrued expenses, other	69.8	9.5
Current maturities of long-term debt	1.8	2.0
Other current liabilities	6.7	4.7
Total current liabilities	381.1	99.3
Senior notes due 2019	500.0	—
Convertible senior notes	91.9	106.3
Revolving credit facility and other long-term debt, net of current maturities	0.2	75.4
Deferred tax liability, long term	74.5	15.2
Other long-term liabilities	58.4	28.1
Total long-term liabilities	725.0	225.0
Commitments and contingencies		
Stockholders' equity:		
Series A convertible perpetual preferred stock, $.001 par value; 10,000,000 shares; 73,335 and 74,175 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	42.2	42.7
Common stock, $.001 par value; 150,000,000 shares authorized; 77,421,683 shares issued and outstanding at December 31, 2014 and 30,583,073 and 30,538,073 shares issued and outstanding, respectively, at December 31, 2013	0.1	—
Additional paid-in capital	1,831.9	525.0
Treasury stock, at cost, 0 and 45,000 shares held at December 31, 2014 and December 31, 2013, respectively	—	(0.1)
Accumulated deficit	(219.1)	(111.7)
Total stockholders' equity	1,655.1	455.9
Total liabilities and stockholders' equity	$2,761.2	$ 780.2

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Operations
(In millions, except per share data)

	Year Ended December 31,		
	2014	**2013**	**2012**
Revenue	**$2,356.6**	**$702.3**	**$278.6**
Operating expenses			
Cost of purchased transportation and services	1,701.8	578.7	237.8
Direct operating expense	273.2	6.4	—
Sales, general and administrative expense	422.5	169.5	68.8
Total operating expenses	2,397.5	754.6	306.6
Operating loss	(40.9)	(52.3)	(28.0)
Other expense	0.8	0.5	0.3
Interest expense	48.0	18.2	3.2
Loss before income tax benefit	(89.7)	(71.0)	(31.5)
Income tax benefit	(26.1)	(22.5)	(11.2)
Net loss	(63.6)	(48.5)	(20.3)
Preferred stock beneficial conversion charge	(40.9)	—	—
Cumulative preferred dividends	(2.9)	(3.0)	(3.0)
Net loss available to common stockholders	$ (107.4)	$ (51.5)	$ (23.3)
Basic loss per share			
Net loss	$ (2.00)	$ (2.26)	$ (1.49)
Diluted loss per share			
Net loss	$ (2.00)	$ (2.26)	$ (1.49)
Weighted average common shares outstanding			
Basic weighted average common shares outstanding	53.6	22.8	15.7
Diluted weighted average common shares outstanding	53.6	22.8	15.7

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Cash Flows
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Operating activities			
Net loss	$ (63.6)	$ (48.5)	$ (20.3)
Adjustments to reconcile net loss to net cash from operating activities			
Provisions for allowance for doubtful accounts	6.9	2.6	0.9
Depreciation and amortization	98.3	20.8	2.7
Stock compensation expense	7.5	4.7	4.4
Accretion of debt	7.3	6.0	1.5
Deferred tax expense	(30.0)	(22.7)	(8.3)
Other	4.3	1.3	—
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(143.9)	(37.0)	(13.8)
Income tax receivable	2.1	0.1	(1.6)
Prepaid expense and other current assets	8.1	(3.0)	0.8
Other long-term assets	(1.0)	—	(0.3)
Accounts payable	53.9	5.2	10.9
Accrued expenses and other liabilities	28.8	4.2	(1.2)
Cash flows used by operating activities	(21.3)	(66.3)	(24.3)
Investing activities			
Acquisition of businesses, net of cash acquired	(814.0)	(458.8)	(57.2)
Payment for purchases of property and equipment	(44.6)	(11.6)	(7.0)
Other	0.3	0.1	—
Cash flows used by investing activities	(858.3)	(470.3)	(64.2)
Financing activities			
Proceeds from common stock offerings, net	733.8	239.5	137.0
Proceeds from issuance of preferred stock, net	363.6	—	—
Proceeds from issuance of senior notes, net	489.6	—	—
Proceeds from issuance of convertible senior notes, net	—	—	138.5
Proceeds from borrowings on revolving credit facility	130.0	73.3	—
Repayment of borrowings on revolving credit facility	(205.0)	—	—
Dividends paid to preferred stockholders	(2.9)	(3.0)	(3.0)
Payments of tax withholdings for restricted shares	(3.4)	(1.6)	(1.2)
Other	(3.5)	(2.5)	(4.5)
Cash flows provided by financing activities	1,502.2	305.7	266.8
Net increase (decrease) in cash	622.6	(230.9)	178.3
Cash and cash equivalents, beginning of period	21.5	252.4	74.1
Cash and cash equivalents, end of period	$ 644.1	$ 21.5	$252.4
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 19.0	$ 12.4	$ —
Cash paid for income taxes, net of receipts	$ 2.3	$ 0.2	$ 0.2
Equity portion of acquisition purchase price	$ 138.2	$ 10.4	$ —

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the Three Years Ended December 31, 2014, 2013 and 2012
(In millions, except share data)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Treasury Stock		Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2011	**75**	**$42.8**	**—**	**$ —**	**8,410**	**$—**	**(45)**	**$ (0.1)**	**$ 102.6**	**$ (36.9)**	**$ 108.4**
Net loss	—	—	—	—	—	—	—	—	—	(20.3)	$ (20.3)
Issuance of common stock for exercises, net of withholdings	(1)	—	—	—	393	—	—	—	(1.0)	—	$ (1.0)
Proceeds from common stock offering, net of issuance costs	—	—	—	—	9,200	—	—	—	137.0	—	$ 137.0
Dividend paid	—	—	—	—	—	—	—	—	—	(3.0)	$ (3.0)
Stock compensation expense	—	—	—	—	—	—	—	—	4.4	—	$ 4.4
Equity component of convertible debt offering, net of issuance costs and deferred taxes	—	—	—	—	—	—	—	—	19.7	—	$ 19.7
Balance at December 31, 2012	**74**	**42.8**	**—**	**—**	**18,003**	**—**	**(45)**	**(0.1)**	**262.7**	**(60.2)**	**245.2**
Net loss	—	—	—	—	—	—	—	—	—	(48.5)	$ (48.5)
Tax withholdings on restricted shares and other issuances of common stock	—	—	—	—	192	—	—	—	(1.8)	—	$ (1.8)
Conversion of preferred stock to common stock	—	(0.1)	—	—	14	—	—	—	0.1	—	$ —
Proceeds from common stock offering, net of issuance costs	—	—	—	—	11,148	—	—	—	239.5	—	$ 239.5
Issuance of common stock for acquisitions	—	—	—	—	617	—	—	—	10.4	—	$ 10.4
Issuance of common stock upon conversion of senior notes, net of tax	—	—	—	—	609	—	—	—	9.4	—	$ 9.4
Dividend paid	—	—	—	—	—	—	—	—	—	(3.0)	$ (3.0)
Stock compensation expense	—	—	—	—	—	—	—	—	4.7	—	$ 4.7
Balance at December 31, 2013	**74**	**42.7**	**—**	**—**	**30,583**	**—**	**(45)**	**(0.1)**	**525.0**	**(111.7)**	**455.9**
Net loss	—	—	—	—	—	—	—	—	—	(63.6)	$ (63.6)
Exercise of warrants and stock options and other	—	—	—	—	293	—	—	—	(4.5)	—	$ (4.5)
Conversion of Series A preferred stock to common stock	(1)	(0.5)	—	—	120	—	—	—	0.5	—	$ —
Proceeds from issuance of preferred stock, net of issuance costs	—	—	400	363.6	—	—	—	—	—	—	$ 363.6
Conversion of Series B preferred stock to common stock	—	—	(400)	(363.6)	12,128	—	—	—	363.6	—	$ —
Deemed distribution for recognition of beneficial conversion feature on preferred stock	—	—	—	—	—	—	—	—	40.9	(40.9)	$ —
Proceeds from common stock offering, net of issuance costs	—	—	—	—	27,953	0.1	—	—	733.7	—	$ 733.8
Issuance of common stock for acquisitions	—	—	—	—	4,704	—	45	0.1	138.1	—	$ 138.2
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	—	—	1,641	—	—	—	27.1	—	$ 27.1
Dividend paid	—	—	—	—	—	—	—	—	—	(2.9)	$ (2.9)
Stock compensation expense	—	—	—	—	—	—	—	—	7.5	—	$ 7.5
Balance at December 31, 2014	**73**	**$42.2**	**—**	**$ —**	**77,422**	**$ 0.1**	**—**	**$ —**	**$1,831.9**	**$(219.1)**	**$1,655.1**

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2014, 2013 and 2012

1. Organization

Nature of Business

XPO Logistics, Inc. (“XPO” or the “Company”)—provides premium transportation and logistics services to thousands of customers through our two reportable segments:

Transportation—provides transportation brokerage services to large multi-national, medium-sized and small business customers where the Company manages all aspects of the services offered including selecting qualified carriers/vessels, negotiating rates, tracking shipments, billing and resolving disputes. Transportation offers a comprehensive suite of services with the common goal of facilitating the movement of goods using proprietary transportation management technology and third-party carriers. Under the Company’s cross-selling initiative, all services are offered to all customers to fulfill their shipping requirements. Under the brands XPO Logistics, XPO Last Mile (formerly 3PD), and Pacer, the Company provides truckload, less-than truckload and intermodal brokerage, and last-mile delivery logistics services. Such services are arranged using relationships with subcontracted motor and rail carriers, as well as vehicles that are owned and operated by independent contract drivers. Under the brands XPO Express (formerly Express-1), XPO NLM and XPO Air Charter, the Company provides for the management of time-critical, urgent shipments, transacted through direct selling and through our web-based technology to customers in North America. Expedited ground services are provided through a fleet of exclusive-use vehicles that are owned and operated by independent contract drivers, referred to as owner operators, and through contracted third-party motor carriers. For shipments requiring air charter, service is arranged using our relationships with third-party air carriers. Under the brands XPO Global Logistics (formerly Concert Group Logistics) and Ocean World Lines (a Pacer brand), the Company provides freight forwarding and ocean transportation services to North America-based customers with domestic and global interests. These services are sold and arranged through a network of Company-owned and independently-owned offices in the United States, Canada, Europe and Asia.

Logistics—provides specialized logistics and comprehensive supply chain management solutions to large multi-national and medium-sized corporations and government agencies under the brand New Breed Logistics, which was acquired in September 2014. See Note 3—Acquisitions. New Breed Holding Company (“New Breed”) and its subsidiaries conduct operations principally in the United States. These services include value-added warehousing and distribution, reverse logistics, transportation management, freight bill audit and payment, lean manufacturing support, aftermarket support and supply chain optimization.

For specific financial information relating to the above segments, refer to **Note 16—Segment Reporting and Geographic Information**.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with the instructions to Form 10-K. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading.

These Consolidated Financial Statements reflect, in the opinion of the Company, all material adjustments (which include only normal recurring adjustments) necessary to fairly present the Company’s financial position as of December 31, 2014 and 2013, and results of operations for the years ended December 31, 2014, 2013 and 2012. The preparation of the Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenue and expense during the reporting period. Estimates have been prepared on the basis of the most current and best available information, but actual results could differ materially from those estimates. Intercompany transactions have been eliminated in the Consolidated Financial Statements. Where the presentation of these intercompany eliminations differs between the consolidated and reportable segment financial statements, reconciliations of certain line items are provided.

Use of Estimates

The Company prepares its Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expense during the reporting period. The Company reviews its estimates on a regular basis and makes adjustments based on historical experience and existing and expected future conditions. Estimates are made with respect to, among other matters, recognition of revenue, costs of purchased transportation and services, direct operating expenses, recoverability of long-lived assets, estimated legal accruals, estimated restructuring accruals, valuation allowances for deferred taxes, reserve for uncertain tax positions, probability of achieving performance targets for vesting of performance-based restricted stock units, and allowance for doubtful accounts. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates, which have been discussed with the audit committee of the Company's board of directors, are reasonable; however, actual results could differ from these estimates.

Statements of Operations, Balance Sheet, and Statement of Cash Flows Presentation

Certain line items from the December 31, 2013 consolidated balance sheet and consolidated statement of cash flows for the years ended December 31, 2013 and 2012 have been conformed to the 2014 presentation. The carrier costs related to unbilled revenue are now included in accounts payable rather than accrued expenses, other. The conformed line items had no impact on previously reported results.

Certain line items from the consolidated statements of operations for the years ended December 31, 2013 and 2012 have been conformed to the 2014 presentation, including the retitling of direct expense to cost of purchased transportation and services and the addition of the direct operating expense category. The conformed line items had no impact on previously reported results.

Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue at the point in time when delivery is completed and the shipping terms of the contract have been satisfied, or in the case of the Company's contract logistics business, based on specific, objective criteria within the provisions of each contract as described below. Related costs of delivery and service are accrued and expensed in the same period the associated revenue is recognized. Revenue is recognized once the following criteria have been satisfied:

- Persuasive evidence of an arrangement exists;
- Services have been rendered;
- The sales price is fixed and determinable; and
- Collectability is reasonably assured.

The Company's Logistics segment recognizes a significant portion of its revenue based on objective criteria that do not require significant estimates or uncertainties. Revenues on cost-reimbursable contracts are recognized by applying a factor to costs as incurred, such factor being determined by the contract provisions. Revenues on unit-price contracts are recognized at the contractual selling prices of work completed. Revenues on time and material contracts are recognized at the contractual rates as the labor hours and direct expenses are incurred. Revenues from fixed-price contracts are recognized as services are provided, unless revenues are earned and obligations fulfilled in a different pattern. Generally, the contracts contain provisions for adjustments to future pricing based upon changes in volumes, services and other market conditions, such as inflation. Revenues relating to such incentive or contingency payments are recorded when the contingency is satisfied and the Company concludes the amounts are earned.

The Company evaluates all agreements for multiple elements and aggregation of individual agreements into a multiple element agreements. Within its intermodal business, the Company has entered into certain agreements that represent multiple-deliverable arrangements. Deliverables under the arrangements represent separate units of accounting that have stand-alone value and no customer-negotiated refunds or return rights exist for the delivered services. These deliverables consist of network management fees, equipment use fees, ocean carrier intermodal services and drayage services. Revenue is allocated to each deliverable based on the relative selling price method. The relative selling price method is based on a hierarchy consisting of vendor-specific objective evidence (VSOE), if available, third-party evidence (TPE), if VSOE is not available, or estimated selling prices (ESP), if neither VSOE nor TPE is available. For the ocean carrier intermodal and drayage services, revenue is allocated based on VSOE. VSOE is not available for either the network management fees or the equipment fees. TPE was established for the equipment fees by evaluating similar and interchangeable competitor services in stand-alone sales. TPE could not be established for the network management fees. Therefore, the Company determined ESP for the network management fees by considering several external and internal factors including, but not limited to, pricing practices, similar product offerings, margin objectives and internal costs. ESP for each deliverable is updated, when appropriate, to ensure that it reflects recent pricing experience. Revenue is recognized for each of the deliverables when the revenue recognition conditions discussed above are met. No other multiple element arrangements have been identified.

For all subsidiaries (other than XPO NLM and New Breed with respect to those transactions where New Breed is serving as the customer's agent in arranging purchased transportation), the Company reports revenue on a gross basis in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standard Codification ("ASC") Topic 605, "*Reporting Revenue Gross as Principal Versus Net as an Agent.*" The Company believes presentation on a gross basis is appropriate under ASC Topic 605 in light of the following factors:

- The Company is the primary obligor and is responsible for providing the service desired by the customer.
- The customer holds the Company responsible for fulfillment, including the acceptability of the service (requirements may include, for example, on-time delivery, handling freight loss and damage claims, establishing pick-up and delivery times, tracing shipments in transit, and providing contract-specific services).
- For the Company's expedited, truck brokerage, last mile and intermodal businesses, the Company has complete discretion to select contractors or other transportation providers (collectively, "service providers"). For its freight forwarding business, the Company enters into agreements with significant service providers that specify the cost of services, among other things, and has ultimate authority in providing approval for all service providers that can be used by its independently-owned stations. Independently-owned stations may further negotiate the cost of services with approved service providers for individual customer shipments.
- The Company has complete discretion to establish sales and contract pricing. Independently-owned stations within its freight forwarding business have the discretion to establish sales prices.
- The Company bears credit risk for all receivables. In the case of freight forwarding, the independently-owned stations reimburse the Company for a portion (typically 70-80%) of credit losses. The Company retains the risk that the independent station owners will not meet this obligation.

For the Company's subsidiaries XPO NLM and New Breed with respect to those transactions where New Breed is serving as the customer's agent in arranging purchased transportation, revenue is recognized on a net basis in accordance with ASC Topic 605. The Company does not serve as the primary obligor. XPO NLM receives a fixed management fee for its services while New Breed receives a variable fee after deducting the cost of purchased transportation. Neither entity assumes credit risk in these transactions. In certain instances with XPO NLM, the Company also does not have discretion to select its service providers.

The Company's freight forwarding operations collect certain taxes and duties on behalf of their customers as part of the services offered and arranged for international shipments. The Company's accounting policy is to present these collections on a gross basis with the revenue recognized of $23.3 million, $3.7 million and $2.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as of the date of purchase to be cash equivalents unless the investments are legally or contractually restricted for more than three months.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoice amount or in the case of unbilled amounts at the expected invoice amount. The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's customers, any specific customer collection issues that have been identified, current economic conditions, and other factors that may affect customers' ability to pay. The Company writes off accounts receivable balances that have aged significantly once all collection efforts have been exhausted and the receivables are no longer deemed collectible from the customer. The rollforward of the allowance for doubtful accounts is as follows (in millions):

	Year Ended December 31,		
	2014	**2013**	**2012**
Beginning balance	$ 3.5	$0.6	$ 0.4
Provision, charged to expense	6.9	2.6	0.9
Write-offs, less recoveries, and other adjustments	(0.6)	0.3	(0.7)
Ending balance	$ 9.8	$3.5	$ 0.6

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets include prepaid rent, software maintenance costs, insurance premiums, other prepaid operating expenses, prepaid railcar leases, certain inventories at XPO Last Mile and New Breed, and other miscellaneous receivables. Prepaid expenses are amortized into expense over the respective contract term or other applicable time period.

Property and Equipment

Property and equipment are generally recorded at cost or in the case of acquired property and equipment at fair value at the date of acquisition. Maintenance and repair expenditures are charged to expense as incurred. When assets are sold, the applicable costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. For internally-developed software, the Company has adopted the provisions of ASC Topic 350, "*Intangibles—Goodwill and Other.*" Accordingly, certain costs incurred in the planning and evaluation stage of internally-developed computer software are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized internally-developed software also includes the fair value of acquired internally-developed technology. The net book value of capitalized internally-developed software totaled $70.1 million and $31.7 million as of December 31, 2014 and 2013, respectively.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Classification	Estimated Useful Life
Buildings and leasehold improvements	Term of lease to 39 years
Vehicles	5 years
Rail cars, container and chassis	15 to 30 years
Machinery and equipment	5 to 10 years
Office and warehouse equipment	5 to 10 years
Computer software and equipment	3 to 5 years

For additional information refer to **Note 7—Property and Equipment**.

Goodwill and Intangible Assets with Indefinite Lives

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. During June 2014, the Company rebranded its Express-1 business to XPO Express. As a result of this action, the Company accelerated the amortization of $3.3 million in indefinite-lived intangible assets related to the Express-1 trade name based on the reduction in its remaining useful life. The full $3.3 million of accelerated amortization was recorded during the quarter ended June 30, 2014 and represented the full value of the Express-1 trade name intangible asset.

The Company follows the provisions of ASC Topic 350, "*Intangibles—Goodwill and Other,*" which requires an annual impairment test for goodwill. The Company may first choose to perform a qualitative evaluation of the likelihood of goodwill impairment. If the Company determines a quantitative evaluation is necessary, the goodwill at the reporting unit is subject to a two-step impairment test. The first step compares the book value of a reporting unit, including goodwill, with its fair value. If the book value of a reporting unit exceeds its fair value, the Company completes the second step in order to determine the amount of goodwill impairment loss that should be recorded. In the second step, the Company determines an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to all of the assets and liabilities other than goodwill. The amount of impairment is equal to the excess of the book value of goodwill over the implied fair value of that goodwill. The Company performs the annual impairment testing as of August 31 each year unless events or circumstances indicate impairment of the goodwill may have occurred before that time. For goodwill impairment testing as of August 31, 2014, the Company elected to bypass the qualitative evaluation. The Company determines fair values for each of the reporting units using an income approach. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company uses its internal forecasts to estimate future cash flows and includes an estimate of long-term future growth rates based on its most recent views of the long-term outlook for the business. Actual results may differ from those assumed in the Company's forecasts. The Company derives its discount rates using a capital asset pricing model and analyzing public company market data for its industry to estimate the weighted average cost of capital. The Company uses discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in its internally developed forecasts. Discount rates used in the Company's reporting unit valuations approximated 10.5%. For the periods presented, the Company did not recognize any goodwill impairment as the estimated fair value of its reporting units with goodwill exceeded the book value of these reporting units. For each of the Company's reporting units, the excess of the fair value over the book value ranged from 20% to over 600%. For additional information refer to **Note 9—Goodwill**.

Intangible Assets with Definite Lives

The Company follows the provisions of ASC Topic 360, "*Property, Plant and Equipment,*" which establishes accounting standards for the impairment of long-lived assets such as property, plant and equipment and intangible assets subject to amortization. The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. The Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. For the periods presented, the Company did not recognize any impairment of the identified intangible assets.

The Company's intangible assets subject to amortization consist of customer lists and relationships, carrier relationships, trade names, non-compete agreements, and other intangibles. Customer lists and relationships and trade names are amortized on an accelerated basis over the period of economic benefit based on the estimated cash flows attributable to the related intangible assets. Non-compete agreements, carrier relationships and other intangibles are amortized on a straight-line basis over the estimated useful lives of the related intangible asset. The range of estimated useful lives and the weighted-average useful lives of the respective intangible assets by type are as follows:

Classification	Estimated Useful Life	Weighted-Average Amortization Period
Customer lists and relationships	3 to 14 years	10.29 years
Carrier relationships	2 years	2.00 years
Trade names	1 to 5 years	2.21 years
Non-compete agreements	Term of agreement	6.12 years
Other intangible assets	3 months to 5 years	4.24 years

For additional information refer to **Note 8—Intangible Assets**.

Restricted Cash

Restricted cash primarily consists of cash held to fund healthcare claims for employees in our Logistics business who are covered by the McNamara-O'Hara Service Contract Act (SCA), cash held as collateral for letters of credit in conjunction with the acquisition of New Breed, and cash held as security under XPO Last Mile's captive insurance contracts.

Other Long-Term Assets

Other long-term assets consist primarily of debt issuance costs related to the Company's 7.875% senior notes due 2019 (the "Senior Notes due 2019"), revolving credit facility and 4.5% convertible senior notes due October 1, 2017 (the "Convertible Notes"), favorable leasehold interests (recorded as part of purchase accounting), balances representing deposits related to facility lease arrangements, notes receivable from various XPO Global Logistics independent station owners, and incentive payments to independent station owners within the XPO Global Logistics network. The debt issuance costs related to the revolving credit facility are amortized on a straight-line basis over the respective term while the debt issuance costs related to the Senior Notes due 2019 and Convertible Notes are amortized using the effective interest method. The favorable leasehold interest assets are amortized through rent expense on a straight-line basis over the remaining lease term. The incentive payments are made by XPO Global Logistics to certain station owners as an incentive to establish an independently-owned station and are amortized over the life of each independent station contract and the unamortized portion generally is recoverable in the event of default under the terms of the agreements.

The following table outlines the Company's other long-term assets as of December 31, 2014 and 2013 (in millions):

	As of December 31, 2014	As of December 31, 2013
Debt issuance costs	$15.0	$ 1.6
Long-term deposits	4.8	1.2
Favorable leasehold interests	2.9	—
Other	3.6	0.1
Total Other Long-Term Assets	$26.3	$ 2.9

Accrued Expenses, Other

Accrued expenses, other consist primarily of accrued purchased services; accrued litigation and insurance claims; accrued interest on the Company's outstanding debt; accrued equipment costs, including maintenance; accrued transportation and facility charges; deferred revenue; and other accrued expenses, including accrued property and other taxes and other miscellaneous accrued expenses. The following table outlines the Company's accrued expenses, other as of December 31, 2014 and 2013 (in millions):

	As of December 31, 2014	As of December 31, 2013
Accrued purchased services	$18.9	$ 7.3
Accrued litigation reserves and insurance claims	17.3	0.4
Accrued interest	15.1	1.5
Accrued equipment costs	7.4	—
Accrued transportation and facility charges	4.9	—
Deferred revenue	2.1	—
Other accrued expenses	4.1	0.3
Total Accrued Expenses, Other	$69.8	$ 9.5

Other Long Term Liabilities

Other long-term liabilities consist primarily of the holdback of a portion of the purchase price in connection with acquisitions; asset retirement obligations; reserves for uncertain tax positions; deferred rent liabilities; unfavorable leasehold interests (recorded as part of purchase accounting); an unfavorable customer contract (recorded as part of purchase accounting); certain liability insurance reserves; and other long-term liabilities. The unfavorable leasehold interest liabilities are amortized through rent expense on a straight-line basis over the remaining lease term. The unfavorable customer contract is amortized on an accelerated basis over the period of economic benefit based on the estimated cash flows attributable to the intangible asset. The following table outlines the Company's other long term liabilities as of December 31, 2014 and 2013 (in millions):

	As of December 31, 2014	As of December 31, 2013
Acquisition-related holdbacks	$21.1	$22.5
Asset retirement obligations	7.5	—
Uncertain tax positions	6.7	0.9
Long-term portion of deferred rent liability	5.3	4.4
Unfavorable leasehold interests	5.2	0.2
Long-term portion of vacant rent liability	3.9	0.1
Unfavorable customer contract	3.8	—
Long-term workers compensation insurance claims	3.7	—
Other long-term liabilities	1.2	—
Total Other Long-Term Liabilities	$58.4	$28.1

Asset Retirement Obligations

As part of the purchase accounting related to its acquisition of Pacer International, Inc. (“Pacer”), the Company accrued an asset retirement obligation for retirement costs related to its leased railcars. For additional information on the acquisition of Pacer refer to **Note 3—Acquisitions**. The costs consist of removing all Company-related and other markings from the railcars, transporting the railcars to return locations designated within the leases, and storing the railcars during the return process. The asset retirement obligation is recorded at its net present value in other long-term liabilities as noted above and the fair value of the underlying asset is zero. Accretion expense is classified as interest expense in the consolidated statements of operations.

The reconciliation of changes in the asset retirement obligation during the year ended December 31, 2014 is summarized below (in millions):

Balance at December 31, 2013	$—
Asset retirement obligation recorded in purchase accounting	7.1
Accretion expense	0.4
Liabilities settled	—
Revisions in estimated cash flows	—
Balance at December 31, 2014	$ 7.5

Income Taxes

Taxes on income are provided for in accordance with ASC Topic 740, “*Income Taxes.*” Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the differences between the book value and the tax basis of particular assets and liabilities, and the tax effects of net operating loss and capital loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized as income or expense in the period that included the enactment date. A valuation allowance is provided to offset net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Management periodically assesses the likelihood that the Company will utilize its existing deferred tax assets and records a valuation allowance for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

Accounting for uncertainty in income taxes is determined based on ASC Topic 740, which clarifies the accounting for uncertainty in income taxes recognized in a company’s financial statements and provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. For additional information refer to **Note 12—Income Taxes**.

Foreign Currency

Exchange gains or losses incurred on transactions conducted by business units in a currency other than the business units’ functional currency are normally reflected in sales, general and administrative expense in the consolidated statements of operations. Revenues and expenses of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period while assets and liabilities are translated into U.S. dollars using exchange rates as of the balance sheet date. The effects of foreign currency translation adjustments are recorded in stockholders’ equity.

Fair Value Measurements

FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*", defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and classifies the inputs used to measure fair value into the following hierarchy:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques that reflect management's judgment and estimates.

At December 31, 2014 and 2013, the Company's financial assets that were accounted for at fair value on a recurring basis included $330.8 million and $1.6 million of money market funds, respectively.

Estimated Fair Value of Financial Instruments

The aggregate net fair value estimates are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximated their fair values as of the periods ended December 31, 2014 and 2013. These financial instruments include cash, accounts receivable, notes receivable, accounts payable, accrued expense, notes payable and current maturities of long-term debt. Fair values approximate carrying values for these financial instruments since they are short-term in nature, and they are receivable or payable on demand. The fair value of the freight forwarding notes receivable from the owners of the independently-owned stations approximated their respective carrying values based on the interest rates associated with these instruments.

As of December 31, 2014, the Company had outstanding $500 million of Senior Notes due 2019, which the Company is obligated to repay at face value unless they are redeemed prior to the maturity date. Holders of the Senior Notes due 2019 are due interest semiannually in arrears on March 1 and September 1 of each year commencing March 1, 2015 and maturing on September 1, 2019. Prior to September 1, 2016, the Company may redeem some or all of the Senior Notes due 2019 at a price equal to 100% of the principal amount of the notes plus the applicable "make-whole" premium. Additionally, the Company may redeem some or all of the Senior Notes due 2019 beginning on September 1, 2016. The initial redemption price is 103.938% of their principal amount, plus accrued interest. The redemption price will decline each year after 2016 and will be 100% of their principal amount, plus accrued interest, beginning on September 1, 2018. In addition, on or prior to September 1, 2016, the Company may redeem up to 40% of the aggregate principal amount of Senior Notes due 2019 with the proceeds of certain equity offerings at 107.875% of their principal amount plus accrued interest. The fair value of the Senior Notes due 2019 was $527.5 million as of December 31, 2014 based on market data. For additional information refer to **Note 6—Debt**.

As of December 31, 2014, the Company had outstanding $106.8 million of Convertible Notes, which the Company is obligated to repay at face value unless the holder agrees to a lesser amount or elects to convert all or a portion of such notes into the Company's common stock. Holders of the Convertible Notes are due interest semiannually in arrears on April 1 and October 1 of each year. The conversion rate is 60.8467 shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $16.43 per share of common stock) and is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. The fair value of the Convertible Notes was $271.3 million as of December 31, 2014 based on market data. For additional information refer to **Note 6—Debt**.

Stock-Based Compensation

The Company accounts for share-based compensation based on the equity instrument's grant date fair value in accordance with ASC Topic 718, *"Compensation—Stock Compensation"*. The fair value of each share-based payment award is established on the date of grant. For grants of restricted stock units ("RSUs") subject to service or performance-based vesting conditions only, the fair value is established based on the market price on the date of the grant. For grants of RSUs subject to market-based vesting conditions, the fair value is established using the Monte Carlo simulation lattice model. For grants of options, the Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payment awards. The determination of the fair value of share-based awards is affected by the Company's stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends.

The weighted-average fair value of each stock option recorded in expense for the years ended December 31, 2014, 2013 and 2012 was estimated on the date of grant using the Black-Scholes option pricing model and is amortized over the requisite service period of the option. The Company has used one grouping for the assumptions, as its option grants have similar characteristics. The expected term of options granted has been derived based upon the Company's history of actual exercise behavior and represents the period of time that options granted are expected to be outstanding. Historical data was also used to estimate option exercises and employee terminations. Estimated volatility is based upon the Company's historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and the expected dividend yield is zero. For options with graded vesting, it is the Company's policy to recognize compensation cost on a straight-line basis over the requisite service period for the entire award; however, the amount of compensation cost recognized at any date will at least equal the portion of the grant date value of the award that is vested at that date.

For the Company's performance-based restricted stock units ("PRSUs"), the Company recognizes expense on a straight line basis over the awards' requisite service period based on the number of awards expected to vest according to actual and expected financial results of the individual performance periods compared to set performance targets for those periods. If achievement of the performance targets for a PRSU award is not considered to be probable, then no expense will be recognized until achievement of such targets becomes probable. For additional information refer to **Note 11—Stock-Based Compensation**.

Earnings per Share

Earnings per common share are computed in accordance with ASC Topic 260, "*Earnings per Share*", which requires companies to present basic earnings per share and diluted earnings per share. For additional information refer to **Note 13—Earnings per Share**.

3. Acquisitions

2014 Acquisitions

New Breed Logistics

On July 29, 2014, the Company entered into a definitive Agreement and Plan of Merger (the "New Breed Merger Agreement") with New Breed, providing for the Company to acquire all of New Breed (the "New Breed Transaction"). New Breed is a provider of highly engineered contract logistics solutions for multi-national and medium-sized corporations and government agencies in the United States. The closing of the transaction was effective on September 2, 2014. At the closing, the Company paid $615.9 million in cash including a $1.1 million estimate of the working capital adjustment.

In conjunction with the New Breed Merger Agreement, the Company entered into a subscription agreement with Louis DeJoy, the Chief Executive Officer of New Breed. Pursuant to the subscription agreement, Mr. DeJoy purchased $30.0 million of unregistered XPO common stock at a per share purchase price in cash equal to (1) the closing price of XPO common stock on the New York Stock Exchange on July 29, 2014 with respect to 50% of such purchase and (2) the closing price of XPO common stock on the New York Stock Exchange on the trading day immediately preceding September 2, 2014 with respect to the remaining 50% of such purchase. Due to the interrelationship between the New Breed Merger Agreement and the subscription agreement, the Company considers the substance of the consideration paid to be a combination of net cash and equity as described below.

The fair value of the total consideration paid under the New Breed Merger Agreement was $615.9 million and consisted of $585.8 million of net cash paid at the time of closing, including an estimate of the working capital adjustment, and $30.1 million of equity representing the fair value of 1,060,598 shares of the Company's common stock at the closing market price of $32.45 per share on September 2, 2014 less a marketability discount on the shares issued due to a holding period restriction. The net cash paid at the time of closing consisted of $615.8 million less the $30.0 million paid by Louis DeJoy to purchase XPO common stock per the subscription agreement.

The New Breed Transaction was accounted for as a purchase business combination in accordance with ASC 805 "*Business Combinations*." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of September 2, 2014, with the remaining unallocated purchase price recorded as goodwill. Goodwill represents the expected synergies and cost rationalization from the merger of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce. The following table outlines the consideration transferred and purchase price allocation at the respective estimated fair values as of September 2, 2014 (in millions):

Consideration	$615.9
Cash and cash equivalents	1.8
Accounts receivable	112.1
Prepaid and other current assets	11.8
Income tax receivable	17.9
Restricted cash	8.5
Property and equipment	113.8
Trademarks/trade names	4.5
Contractual customer relationships asset	115.1
Contractual customer relationships liability	(5.6)
Non-contractual customer relationships	15.2
Other long-term assets	7.3
Accounts payable	(17.7)
Accrued expenses	(33.4)
Deferred tax liabilities, non-current	(78.1)
Other long-term liabilities	(9.6)
Goodwill	$352.3

As of December 31, 2014, the purchase price allocation is considered final, except for the fair value of taxes and assumed liabilities. All goodwill recorded in the acquisition relates to the Logistics reportable segment. The goodwill as a result of the acquisition is not deductible for income tax purposes. The working capital adjustments in connection with this acquisition have been finalized, and there was no material change in the purchase price as a result.

Atlantic Central Logistics

On July 28, 2014, the Company entered into a Stock Purchase Agreement with Perry Barbaruolo, Thomas G. Bartley, Robert Humes II, Jeffrey E. Patterson, Brian Ruane, The Bryn Mawr Trust Company of Delaware, as Trustee of the Perry Barbaruolo 2014 Delaware Trust, Thomas Bartley, as Trustee of the Janice C. Day 2014 Trust, Thomas Bartley, as Trustee of the Jessica M. Clark 2014 Trust, Thomas Bartley, as Trustee of the

Jacqueline M. Patterson 2014 Trust, Thomas Bartley, as Trustee of the Patterson 2014 Grandchildren's Trust, The Bryn Mawr Trust Company of Delaware as Trustee of the Brian Ruane 2014 Delaware Trust, and The Bryn Mawr Trust Company of Delaware, as Trustee of the Richard Roberts 2014 Trust to acquire all of the outstanding capital stock of Simply Logistics Inc d/b/a Atlantic Central Logistics ("ACL") for $36.2 million in cash consideration and deferred payments. ACL provides e-commerce fulfillment services by facilitating the time-sensitive, local movement of goods between distribution centers and the end-consumer.

The ACL acquisition was accounted for as a purchase business combination in accordance with ASC Topic 805 "*Business Combinations.*" Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of July 28, 2014 with the remaining unallocated purchase price recorded as goodwill. As a result of the acquisition, the Company recorded goodwill of $25.5 million and intangible assets of $11.7 million. All goodwill recorded related to the acquisition relates to the Transportation reportable segment. The goodwill as a result of the acquisition is not deductible for income tax purposes. As of December 31, 2014, the purchase price is considered final except for the fair value of accounts receivable, intangible assets, taxes and assumed liabilities. The working capital adjustments in connection with this acquisition have been finalized, and there was no material change in the purchase price as a result.

Pacer International

On January 5, 2014, the Company entered into a definitive Agreement and Plan of Merger (the "Pacer Merger Agreement") with Pacer, providing for the acquisition of Pacer by the Company (the "Pacer Transaction"). Pacer is an asset-light North American freight transportation and logistics services provider. The closing of the transaction was effective on March 31, 2014 (the "Effective Time").

At the Effective Time, each share of Pacer's common stock, par value $0.01 per share, issued and outstanding immediately prior to the Effective Time was converted into the right to receive (i) $6.00 in cash and (ii) 0.1017 of a share of XPO common stock, which amount is equal to $3.00 divided by the average of the volume-weighted average closing prices of XPO common stock for the ten trading days prior to the Effective Time (the "Pacer Merger Consideration"). Pursuant to the terms of the Pacer Merger Agreement, all vested and unvested Pacer options outstanding at the Effective Time were settled in cash based on the value of the Pacer Merger Consideration. In addition, all Pacer restricted stock, and all vested and unvested Pacer restricted stock units and performance units outstanding at the Effective Time were converted into the right to receive the Pacer Merger Consideration. The fair value of the total consideration paid under the Pacer Merger Agreement was $331.5 million and consisted of $223.3 million of cash paid at the time of closing and $108.2 million of equity representing the fair value of 3,688,246 shares of the Company's common stock at the closing market price of $29.41 per share on March 31, 2014 less a marketability discount on a portion of shares issued to certain former Pacer executives due to a holding period restriction. The marketability discount did not have a material impact on the fair value of the equity consideration provided.

The Pacer Transaction was accounted for as a purchase business combination in accordance with ASC 805 "*Business Combinations*." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of March 31, 2014, with the remaining unallocated purchase price recorded as goodwill. Goodwill represents the expected synergies and cost rationalization from the merger of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce. The following table outlines the consideration transferred and purchase price allocation at the respective fair values as of March 31, 2014 (in millions):

Consideration	$331.5
Cash and cash equivalents	22.3
Accounts receivable	118.8
Prepaid and other current assets	9.4
Deferred tax assets, current	5.7
Property and equipment	43.5
Trademarks/trade names	2.8
Non-compete agreements	2.3
Contractual customer relationships	66.3
Non-contractual customer relationships	1.0
Other long-term assets	6.8
Accounts payable	(71.0)
Accrued salaries and wages	(3.1)
Accrued expenses, other	(33.5)
Other current liabilities	(2.0)
Deferred tax liabilities, non-current	(14.6)
Other long-term liabilities	(11.6)
Goodwill	$188.4

As of December 31, 2014, the purchase price allocation is considered final, except for the fair value of taxes and assumed liabilities. All goodwill recorded related to the acquisition relates to the Transportation reportable segment. The carryover of the tax basis in goodwill is deductible for income tax purposes while the step-up in goodwill as a result of the acquisition is not deductible for income tax purposes. Total tax deductible goodwill was $323.2 million on the acquisition date of March 31, 2014. The difference between book and tax goodwill represents the tax basis in goodwill from acquisitions made by Pacer prior to the acquisition by XPO.

2013 Acquisitions

NLM

On December 10, 2013, the Company entered into a Stock Purchase Agreement with Landstar Supply Chain Solutions, Inc. and Landstar System Holdings, Inc. (the "NLM Stock Purchase Agreement") to acquire all of the outstanding capital stock of Landstar Supply Chain Solutions, Inc. known as National Logistics Management ("NLM") (the "NLM Transaction"). NLM is the largest provider of web-based expedited transportation management in North America. The closing of the transaction occurred on December 28, 2013. The fair value of the total consideration paid under the NLM Stock Purchase Agreement was $87.0 million, paid in cash, excluding any working capital adjustments.

The NLM acquisition was accounted for as a purchase business combination in accordance with ASC Topic 805 "*Business Combinations.*" Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of December 28, 2013 with the remaining unallocated purchase price recorded as goodwill. Goodwill represents the expected synergies and cost rationalization from the joining of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce. The following table outlines the consideration transferred and purchase price allocation at the respective fair values as of December 28, 2013 (in millions):

Consideration	$ 87.0
Cash and cash equivalents	7.4
Accounts receivable	36.0
Prepaid and other assets	1.1
Property and equipment	13.6
Trademarks/trade names	0.4
Non-compete agreements	0.5
Customer relationships	25.2
Accounts payable	(43.5)
Other current liabilities	(0.6)
Goodwill	$ 46.9

All goodwill recorded related to the acquisition relates to the Transportation reportable segment and is fully deductible for income tax purposes based on the Internal Revenue Code Section 338(h)(10) election made with respect to the NLM Transaction. The working capital adjustments in connection with this acquisition have been finalized, and there was no material change in the purchase price as a result.

Optima Service Solutions

On November 13, 2013, the Company entered into a Membership Interest Purchase Agreement with A-1 Home Services, Inc., Mr. Steve Gordon and Mr. Glenn Lebowitz to acquire all of the outstanding equity interests of Optima Service Solutions, LLC ("Optima") for $26.6 million in cash consideration and deferred payments, excluding any working capital adjustments. Optima is a non-asset, third-party logistics service provider focusing on arranging in-home complex installation and residential delivery services for major retailers.

The Optima acquisition was accounted for as a purchase business combination in accordance with ASC Topic 805 "*Business Combinations.*" Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of November 13, 2013 with the remaining unallocated purchase price recorded as goodwill. As a result of the acquisition, the Company recorded goodwill of $14.1 million and intangible assets of $11.3 million. All goodwill recorded related to the acquisition relates to the Transportation reportable segment and is fully deductible for income tax purposes. In addition, the Company recorded an acquired technology asset of $0.9 million as property and equipment in the consolidated balance sheet. The working capital adjustment in connection with this acquisition has been finalized, and there was no material change in the purchase price as a result.

3PD

On July 12, 2013, the Company entered into a Stock Purchase Agreement with 3PD Holding, Inc. ("3PD"), Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair and Mr. James J. Martell (the "3PD Stock Purchase Agreement") to acquire all of the outstanding capital stock of 3PD (the "3PD Transaction"). 3PD is a non-asset, third-party provider of heavy goods, last-mile logistics in North America. The closing of the transaction occurred on August 15, 2013. The fair value of the total consideration paid under the 3PD Stock Purchase Agreement was $364.3 million and consisted of $333.2 million of net cash payable at the time of closing, $22.5 million of deferred payments, $7.4 million representing the fair value of 407,479 restricted shares of the Company's common stock at the closing market price of $21.99 per share on August 15, 2013 less a marketability discount of $1.6 million on shares issued to the sellers due to a holding period restriction, and the final working capital adjustment of $1.2 million. The majority of the shares issued are restricted until September 2, 2016.

The 3PD Transaction was accounted for as a purchase business combination in accordance with ASC 805 "*Business Combinations*." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of August 15, 2013, with the remaining unallocated purchase price recorded as goodwill. Goodwill represents the expected synergies and cost rationalization from the joining of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce. The following table outlines the consideration transferred and purchase price allocation at the respective fair values as of August 15, 2013 (in millions):

Consideration	$364.3
Cash and cash equivalents	1.0
Accounts receivable	30.3
Prepaid and other current assets	1.7
Deferred tax assets, current	0.6
Property and equipment	23.0
Trademarks/trade names	5.9
Non-compete agreements	1.6
Customer relationships	110.6
Carrier relationships	12.1
Other long-term assets	0.4
Accounts payable	(13.0)
Accrued salaries and wages	(1.7)
Accrued expenses, other	(4.2)
Other current liabilities	(5.5)
Deferred tax liabilities, non-current	(29.8)
Goodwill	$231.3

All goodwill recorded related to the acquisition relates to the Transportation reportable segment. The carryover of the tax basis in goodwill is deductible for income tax purposes while the step-up in goodwill as a result of the acquisition is not deductible for income tax purposes. Total tax deductible goodwill was $27.1 million on the acquisition date of August 15, 2013. The difference between book and tax goodwill represents the tax basis in goodwill from acquisitions made by 3PD prior to the acquisition by XPO.

Interide Logistics

On May 6, 2013, pursuant to an asset purchase agreement, the Company acquired substantially all of the assets of Interide Logistics, LC ("Interide") for $3.1 million in cash consideration and 36,878 restricted shares of the Company's common stock with a value of $0.6 million, excluding any working capital adjustments, with no assumption of debt. Interide is a non-asset, third-party transportation logistics service provider focusing on freight brokerage with offices in Salt Lake City, UT, Louisville, KY and St. Paul, MN.

The Interide acquisition was accounted for as a purchase business combination in accordance with ASC Topic 805 "*Business Combinations.*" Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of May 6, 2013 with the remaining unallocated purchase price recorded as goodwill. As a result of the acquisition, the Company recorded goodwill of $3.4 million and intangible assets of $1.7 million. All goodwill recorded related to the acquisition relates to the Transportation reportable segment and is fully deductible for income tax purposes. The working capital adjustment in connection with this acquisition has been finalized, and there was no material change in the purchase price as a result.

Covered Logistics & Transportation

On February 26, 2013, pursuant to an asset purchase agreement, the Company acquired substantially all of the assets of Covered Logistics & Transportation LLC ("Covered") for $8.0 million in cash consideration and 173,712 restricted shares of the Company's common stock with a value of $3.0 million, excluding any working capital adjustments, with no assumption of debt. Covered is a non-asset, third-party transportation logistics service provider focusing on freight brokerage with offices in Lake Forest, IL and Dallas, TX.

The Covered acquisition was accounted for as a purchase business combination in accordance with ASC Topic 805 "*Business Combinations.*" Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of February 26, 2013 with the remaining unallocated purchase price recorded as goodwill. As a result of the acquisition, the Company recorded goodwill of $7.4 million and intangible assets of $2.8 million. All goodwill recorded related to the acquisition relates to the Transportation reportable segment and is fully deductible for income tax purposes. The working capital adjustment in connection with this acquisition has been finalized, and there was no material change in the purchase price as a result.

East Coast Air Charter

On February 8, 2013, pursuant to an asset purchase agreement, the Company purchased substantially all of the operating assets of East Coast Air Charter, Inc. and 9-1-1 Air Charter LLC (together, "ECAC" or "East Coast Air Charter") for total cash consideration of $9.3 million, excluding any working capital adjustments, with no assumption of debt. ECAC is a non-asset, third-party logistics service provider specializing in expedited air charter brokerage in Statesville, NC.

The ECAC acquisition was accounted for as a purchase business combination in accordance with ASC Topic 805 "*Business Combinations.*" Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their fair values as of February 8, 2013 with the remaining unallocated purchase price recorded as goodwill. As a result of the acquisition, the Company recorded goodwill of $3.8 million and intangible assets of $4.8 million. All goodwill recorded related to the acquisition relates to the Transportation reportable segment and is fully deductible for income tax purposes. The working capital adjustment in connection with this acquisition has been finalized, and there was no material change in the purchase price as a result.

Pro Forma Financial Information

The following unaudited pro forma consolidated results of operations for the twelve-month periods ended December 31, 2014 and 2013 present consolidated information of the Company as if the acquisitions of New Breed, Pacer and 3PD had occurred as of January 1, 2013 (in millions, except per share data):

	Pro Forma Year Ended December 31, 2014	Pro Forma Year Ended December 31, 2013
Revenue	$2,979.9	$2,484.3
Operating loss	$ (24.0)	$ (24.7)
Net loss	$ (129.1)	$ (67.1)
Loss per common share		
Basic	$ (2.26)	$ (1.29)
Diluted	$ (2.26)	$ (1.29)

The unaudited pro forma consolidated results for the twelve-month periods were prepared using the acquisition method of accounting and are based on the historical financial information of New Breed, Pacer, 3PD and the Company. The unaudited pro forma consolidated results incorporate historical financial information for all significant acquisitions since January 1, 2013. Pro forma information for ECAC, Covered, Interide, Optima, NLM and ACL has not been included as the impacts were not considered material to the pro forma disclosure.

The historical financial information has been adjusted to give effect to pro forma adjustments that are: (i) directly attributable to the acquisition, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. The unaudited pro forma consolidated results are not necessarily indicative of what the Company's consolidated results of operations actually would have been had it completed these acquisitions on January 1, 2013.

4. Restructuring Charges

On March 31, 2014, the Company initiated a facility rationalization and severance program to close facilities and reduce employment in order to improve efficiency and profitability in conjunction with its acquisition of Pacer. The program includes facility exit activities and employment reduction initiatives.

The amount of restructuring charges incurred during the year ended December 31, 2014 and included in the consolidated statements of operations as sales, general and administrative expense is summarized below (in millions). These charges are not allocated to our reportable segments. No amount of the restructuring liability was included in the purchase price allocation for Pacer as all activities were initiated by XPO to benefit the post-combination period.

	Contract termination	Severance	Total
Reserve balance at December 31, 2013	$—	$—	$ —
Charges incurred	6.0	5.4	11.4
Payments	(2.2)	(4.1)	(6.3)
Reserve balance at December 31, 2014	$ 3.8	$ 1.3	$ 5.1

5. Commitments and Contingencies

Purchase Commitments

As of December 31, 2014, the Company had approximately $8.3 million in future minimum payments required under non-cancellable service agreements for ongoing services, maintenance and support to information technology providers. Remaining future minimum payments related to these agreements amount to approximately $6.4 million, $1.7 million and $0.2 million for the years ending December 31, 2015, 2016 and 2017, respectively.

During the year ended December 31, 2014, $6.0 million of expense was recognized related to these agreements. No expense was recognized in the years ended December 31, 2013 and 2012 related to these agreements.

Lease Commitments

As of December 31, 2014, the Company had approximately $342.1 million in future minimum payments required under operating leases for various real estate, double-stack railcars, containers, chassis, tractors, data processing equipment, transportation and office equipment leases that have an initial or remaining non-cancelable lease term in excess of one year. Remaining future minimum payments related to these operating leases amount to approximately $123.7 million, $76.5 million, $53.1 million, $39.5 million, and $49.3 million for the periods ending December 31, 2015, 2016, 2017, 2018, and 2019 and thereafter, respectively.

Rent expense was approximately $82.3 million, $6.9 million and $1.9 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Litigation

The Company is involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of its business. These proceedings may include, among other matters, claims for property damage or personal injury incurred in connection with the transportation of freight and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contract. These proceedings also include numerous purported class-action lawsuits, multi-plaintiff and individual lawsuits and state tax and other administrative proceedings that claim that the Company's owner operators or contract carriers should be treated as employees, rather than independent contractors. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both.

The Company establishes accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. In connection with certain acquisitions of privately-held businesses, the Company has retained purchase price holdbacks to provide security for a negotiated duration with respect to damages incurred in connection with pre-acquisition claims and litigation matters. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued therefor or the applicable purchase price holdback, the Company assesses whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, the Company discloses the estimate of the possible loss or range of loss if it is material and an estimate can be made, or states that such an estimate cannot be made. The evaluation as to whether a loss is reasonably possible or probable is based on the Company's assessment, in conjunction with legal counsel, regarding the ultimate outcome of the matter.

The Company believes that it has adequately accrued for, or has adequate purchase price holdbacks with respect to, the potential impact of loss contingencies that are probable and reasonably estimable, and, except as noted below under "Pacer Classification Claims," there was no indication of a reasonable possibility that a material loss, or additional material loss (including in excess of any applicable purchase price holdback), may have been incurred. The Company does not believe that the ultimate resolution of any matters to which the Company is presently party will have a material adverse effect on its results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

The Company carries liability and excess umbrella insurance policies that it deems sufficient to cover potential legal claims arising in the normal course of conducting its operations as a transportation company. In the event the Company is required to satisfy a legal claim in excess of the coverage provided by this insurance, the Company's financial condition, results of operations or cash flows could be negatively impacted.

Pacer Classification Claims

The Company's Pacer subsidiary, which was acquired on March 31, 2014, received notices from the California Labor Commissioner, Division of Labor Standards Enforcement (the "DLSE"), that a total of 153 owner operators contracted with certain Pacer subsidiaries have filed claims with the DLSE in which they assert that they should be classified as employees, as opposed to independent contractors. These claims seek reimbursement for the owner operators' business expenses, including fuel, tractor maintenance and tractor lease payments. A decision has been rendered by a DLSE hearing officer in seven of these claims, who awarded a total of $2.2 million to the seven claimants. Pacer has appealed these awards to California Superior Court, San Diego, where a *de novo* trial was held on the merits of those claims. On January 28, 2015, the court issued a tentative statement of decision in which it indicated its intent to find that the seven claimants were employees rather than independent contractors, and to award an aggregate of $2.0 million to the claimants. Under the court's tentative statement of decision, either the claimants or the Company may file objections or comments by February 17, 2015, after which the court will render its final decision. The court's final decision is subject to appeal, but the Company cannot provide assurance that the Company will determine to pursue an appeal or that an appeal will be successful. The remaining DLSE claims have been transferred to California Superior Court in three separate actions involving 175 claimants. These matters are in the initial procedural stages.

Pacer also is a party to a putative class action litigation brought by Edwin Molina in the U.S. District Court, Southern District of California. Molina asserts that he should be classified as an employee, as opposed to an independent contractor, and seeks damages for alleged violation of various California wage and hour laws. Molina seeks to have the litigation certified as a class action involving all owner-operators contracted with Pacer Cartage at any time from August 2009 to the present, which could involve as many as 600 claimants. Certain of these potential claimants also may have claims under the actions pending in California Superior Court as described above. This matter is in the initial stages of discovery and the court has not yet determined whether to certify the matter as a class action. The Company has reached a tentative agreement to settle this litigation with the claimant, subject to court approval and acceptance by a minimum percentage of members of the purported class. There can be no assurance that the settlement agreement will be finalized and executed, that the court will approve any such settlement agreement or that it will be accepted by the requisite members of the purported class.

During the fourth quarter of 2014, in connection with its Pacer acquisition accounting process, the Company established a reserve for the estimated probable loss with respect to certain of the cases described above, as required pursuant to applicable accounting standards. This amount was not material to the Company's total liabilities or goodwill. The Company continues to evaluate these and other claims in light of the recent adverse decisions and other factors. The Company believes there is a reasonable possibility that a loss may be incurred in excess of the reserve amount; however, the Company cannot estimate the possible loss or range of such possible losses at this time. There can be no assurance that the amount of any actual loss the Company incurs in connection with these matters would not materially exceed any reserve that may be established.

Pacer Acquisition Litigation

Between January 8 and January 16, 2014, five substantially identical putative class actions were filed in the Tennessee Chancery Court against the Company, Pacer and Pacer's directors challenging the Company's acquisition of Pacer. By stipulation and order dated February 18, 2014, the Chancery Court for Davidson County consolidated these cases under the caption In re Pacer International, Inc. Shareholder Litigation, No. 14-39-IV. The operative complaint in the consolidated case alleges, among other things, that the directors of Pacer breached their fiduciary duties to Pacer's shareholders in connection with the proposed acquisition of Pacer by XPO by agreeing to the proposed merger at an allegedly unfair price pursuant to a purportedly flawed and conflicted sales process, by including certain allegedly preclusive deal-protection measures, and by misrepresenting and/or omitting certain allegedly material information in the proxy statement relating to the transaction. The parties have reached a settlement agreement that required certain additional disclosures which were made pursuant to a Current Report on Form 8-K filed with the SEC on March 18, 2014, and the Company's payment of the plaintiff attorneys' fees of $0.6 million. The settlement agreement has received final court approval and has been fully performed.

6. Debt

Senior Notes due 2019

On August 25, 2014, the Company completed a private placement of $500.0 million aggregate principal amount of 7.875% Senior Notes due 2019. Total unamortized debt issuance costs related to the Senior Notes due 2019 classified in other long-term assets at December 31, 2014 are $9.8 million.

The Senior Notes due 2019 were offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") and, outside the United States, only to non-U.S. investors pursuant to Regulation S. The Senior Notes due 2019 were not registered under the Securities Act or any state securities laws and may not be offered or sold in the United States absent an effective registration statement or an applicable exemption from registration requirements or a transaction not subject to the registration requirements of the Securities Act or any state securities laws. The Senior Notes due 2019 bear interest at a rate of 7.875% per annum payable semiannually, in cash in arrears, on March 1 and September 1 of each year, commencing March 1, 2015 and maturing on September 1, 2019. The Senior Notes due 2019 are guaranteed by each of the Company's direct and indirect wholly-owned restricted subsidiaries (other than certain excluded subsidiaries) that are obligors under, or guarantee obligations under, the Company's existing credit agreement (or certain replacements thereof) or guarantee certain capital markets indebtedness of the Company or any guarantor of the Senior Notes due 2019. The Senior Notes due 2019 and the guarantees thereof are unsecured, unsubordinated indebtedness of the Company and the guarantors. Among other things, the covenants of the Senior Notes due 2019 limit the Company's ability to, with certain exceptions: incur indebtedness or issue disqualified stock; grant liens; pay dividends or make distributions in respect of capital stock; make certain investments or other restricted payments; prepay or repurchase subordinated debt; sell or transfer assets; engage in certain mergers, consolidations, acquisitions and dispositions; and enter into certain transactions with affiliates.

Prior to September 1, 2016, the Company may redeem some or all of the Senior Notes due 2019 at a price equal to 100% of the principal amount of the notes plus the applicable "make-whole" premium. The "make-whole" premium equals the greater of 1% of the then outstanding principal amount of the note and the excess of (a) the present value at such redemption date of (i) the redemption price of the note, at September 1, 2016, plus (ii) all required interest payments due on the note through September 1, 2016 (excluding accrued but unpaid interest), computed using a discount rate equal to the treasury rate as of such redemption date, plus 50 basis points; over (b) the then outstanding principal amount of the note. On and after September 1, 2016, the Company may redeem some or all of the notes for a redemption price that declines each year. The initial redemption price is 103.938% of their principal amount, plus accrued interest. The redemption price will decline each year after 2016 and will be 100% of their principal amount, plus accrued interest, beginning on September 1, 2018. In addition, on or prior to September 1, 2016, the Company may redeem up to 40% of the aggregate principal amount of notes with the proceeds of certain equity offerings at 107.875% of their principal amount plus accrued interest. The Company may make such redemption only if, after any such redemption, at least 60% of the aggregate principal amount of notes originally issued remains outstanding.

See **Note 18—Subsequent Events** for information concerning the Company's most recent issuance of debt.

Debt Facilities

The Company may from time to time use debt financing for acquisitions and business start-ups, among other things. The Company also enters into long-term debt and capital leases with various third-parties from time to time to finance certain operational equipment and other assets used in its business operations. Generally, these loans and capital leases bear interest at market rates, and are collateralized with accounts receivable, equipment and certain other assets of the Company.

As of December 31, 2014, the Company and certain of its wholly-owned subsidiaries, as borrowers, were parties to a $415 million multicurrency secured Amended and Restated Revolving Loan Credit Agreement (the "Amended Credit Agreement") with the lender parties thereto and Morgan Stanley Senior Funding, Inc., as administrative agent for such lenders, with a commitment termination date of October 17, 2018. The principal amount of the commitments under the Amended Credit Agreement may be increased by an aggregate amount of up to $100 million, subject to certain terms and conditions specified in the Amended Credit Agreement. The Amended Credit Agreement replaces and supersedes in its entirety the $125 million multicurrency secured Revolving Loan Credit Agreement that the Company entered into on October 18, 2013. At December 31, 2014, the Company had outstanding letters of credit of $14.1 million. Of the $14.1 million of letters of credit outstanding, $4.9 million were fully cash collateralized by the Company. The collateral is included in restricted cash on the consolidated balance sheet as of December 31, 2014. The Company's availability under the Amended

Credit Agreement is not impacted by the cash collateralized outstanding letters of credit. Total unamortized debt issuance costs related to the Amended Credit Agreement classified in other long-term assets at December 31, 2014 are $3.1 million.

On August 8, 2014, the Company amended its revolving loan facility to permit, among other things, the acquisition of New Breed and the related transactions and the offering of the Senior Notes due 2019.

The proceeds of the Amended Credit Agreement may be used by the Company and its subsidiaries for ongoing working capital needs and other general corporate purposes, including strategic acquisitions, and fees and expenses in connection with the transaction. At December 31, 2014, the Company had no amount drawn under the Amended Credit Agreement. Borrowings under the Amended Credit Agreement bear interest at a per annum rate equal to, at the Company's option, the one, two, three or six month (or such other period less than one month or greater than six months as the lenders may agree) LIBOR rate plus a margin of 1.75% to 2.25%, or a base rate plus a margin of 0.75% to 1.25%. The Company is required to pay an undrawn commitment fee equal to 0.25% or 0.375% of the quarterly average undrawn portion of the commitments under the Amended Credit Agreement, as well as customary letter of credit fees. The margin added to LIBOR, or base rate, will depend on the quarterly average availability of the commitments under the Amended Credit Agreement.

All obligations under the Amended Credit Agreement are secured by substantially all of the Company's assets and unconditionally guaranteed by certain of its subsidiaries, provided that no foreign subsidiary guarantees, and no assets of any foreign subsidiary secures, any obligations of any of the Company's domestic borrower subsidiaries. Within the meaning of Regulation S-X, Rule 3-10, XPO Logistics, Inc. (the parent company) has no independent assets or operations, the guarantees of its subsidiaries are full and unconditional and joint and several, and any subsidiaries other than the guarantor subsidiaries are minor. The Amended Credit Agreement contains representations, warranties and covenants that are customary for agreements of this type. Among other things, the covenants in the Amended Credit Agreement limit the Company's ability to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make certain investments and restricted payments; and enter into certain transactions with affiliates. In certain circumstances, the Amended Credit Agreement also requires the Company to maintain minimum EBITDA or, at the Company's election, maintain a Fixed Charge Coverage Ratio (as defined in the Amended Credit Agreement) of not less than 1.00 to 1.00. If an event of default under the Amended Credit Agreement shall occur and be continuing, the commitments thereunder may be terminated and the principal amount outstanding thereunder, together with all accrued unpaid interest and other amounts owed thereunder, may be declared immediately due and payable. Certain subsidiaries acquired by the Company in the future may be excluded from the restrictions contained in certain of the foregoing covenants.

Convertible Senior Notes

At December 31, 2014, the Company had outstanding $106.8 million aggregate principal amount of 4.50% Convertible Senior Notes due October 1, 2017 (the "Convertible Notes"). Total unamortized debt issuance costs classified in other long-term assets at December 31, 2014 are $2.1 million. Interest is payable on the Convertible Notes on April 1 and October 1 of each year.

During the twelve months ended December 31, 2014, the Company issued an aggregate of 1,640,908 shares of the Company's common stock to certain holders of the Notes in connection with the conversion of $27.0 million aggregate principal amount of the Convertible Notes. The conversions were allocated to long-term debt and equity in the amounts of $22.1 million and $27.1 million, respectively. Certain of these transactions represented induced conversions pursuant to which the Company paid the holder a market-based premium in cash. The negotiated market-based premiums, in addition to the difference between the current fair value and the book value of the Convertible Notes, were reflected in interest expense. The number of shares of common stock issued in the foregoing transactions equals the number of shares of common stock presently issuable to holders of the Convertible Notes upon conversion under the original terms of the Convertible Notes.

Under certain circumstances at the election of the holder, the Convertible Notes may be converted until the close of business on the business day immediately preceding April 1, 2017, into cash, shares of the Company's common stock, or a combination of cash and shares of common stock, at the Company's election, at the initial conversion rate of approximately 60.8467 shares of common stock per $1,000 in principal amount, which is equivalent to an initial conversion price of approximately $16.43 per share. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its Convertible Notes in connection with such corporate event in certain circumstances. On or after April 1, 2017, until the close of business on the business day immediately preceding the maturity date, holders may convert their Convertible Notes at any time.

The Convertible Notes may be redeemed by the Company on or after October 1, 2015 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. The Convertible Notes are currently redeemable under this provision. The Company may redeem the Convertible Notes in whole but not in part, at a redemption price in cash equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest, but excluding, the redemption date, plus a make-whole premium payment. The "make whole premium" payment or delivery will be made, as the case may be, in cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, equal to the present values of the remaining scheduled payments of interest on the Convertible Notes to be redeemed through October 1, 2017 (excluding interest accrued to, but excluding, the redemption date), computed using a discount rate equal to 4.50%. The make-whole premium is paid to holders whether or not they convert the Convertible Notes following the Company's issuance of a redemption notice.

The Convertible Notes do not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries. If the Company undergoes a fundamental change, holders may, subject to certain conditions, require the Company to repurchase for cash all or part of their Convertible Notes at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The following table outlines the Company's debt obligations as of December 31, 2014 and 2013 (in millions):

	Interest rates	Term (months)	As of December 31, 2014	As of December 31, 2013
Senior notes due 2019	7.88%	60	$500.0	$ —
Convertible senior notes	4.50%	60	106.8	133.7
Revolving credit facility	4.38%	60	—	75.0
Notes payable	N/A	N/A	1.8	2.2
Capital leases for equipment	14.22%	59	0.2	0.2
Total debt			608.8	211.1
Less: unamortized discount on convertible senior notes			(14.9)	(27.4)
Less: current maturities of long-term debt			(1.8)	(2.0)
Total long-term debt, net of current maturities			$592.1	$181.7

7. Property and Equipment

The following table sets forth the Company's property and equipment as of December 31, 2014 and 2013 (in millions):

	As of December 31, 2014	As of December 31, 2013
Property and Equipment, at cost		
Buildings and leasehold improvements	$ 33.2	$ 9.1
Vehicles	4.4	2.7
Rail cars, containers and chassis	13.0	—
Machinery and equipment	44.4	—
Office and warehouse equipment	32.9	7.1
Computer software and equipment	141.3	49.5
	269.2	68.4
Less: Accumulated depreciation	(47.3)	(11.8)
Total Property and Equipment, net	$221.9	$ 56.6

Depreciation of property and equipment was $35.8 million, $6.7 million and $1.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

8. Intangible Assets

The following table sets forth the Company's identifiable intangible assets as of December 31, 2014 and 2013 (in millions):

	December 31, 2014	December 31, 2013
Indefinite lived intangibles:		
Trade name	$ —	$ 3.3
Definite lived intangibles:		
Customer lists and relationships	376.6	168.7
Carrier relationships	12.1	12.1
Trade name	15.4	8.0
Non-compete agreements	9.8	6.3
Other intangible assets	2.2	2.2
	416.1	197.3
Less: Accumulated amortization	(74.6)	(15.4)
Intangible assets, net	$341.5	$181.9
Total Identifiable Intangibles	$341.5	$185.2

Estimated future amortization expense for amortizable intangible assets for the next five years is as follows (in millions):

	2015	2016	2017	2018	2019
Estimated future amortization expense	$66.0	$52.2	$41.3	$38.8	$37.1

Actual amounts of amortization expense may differ from estimated amounts due to changes in foreign currency exchange rates, additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets and other events.

Intangible asset amortization expense recorded in sales, general and administrative expense was $62.5 million, $14.1 million and $1.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

9. Goodwill

The following table is a roll-forward of goodwill from December 31, 2012 to December 31, 2014. The 2013 additions are the result of the goodwill recognized as excess purchase price in the acquisitions of ECAC, Covered, Interide, 3PD, Optima and NLM while the 2014 additions are the result of the goodwill recognized as the excess purchase price in the acquisitions of Pacer, ACL and New Breed (in millions):

	Transportation	Logistics	Total
Goodwill at December 31, 2012	$ 55.9	$ —	$ 55.9
Acquisitions	307.5	—	307.5
Goodwill at December 31, 2013	363.4	—	363.4
Acquisitions	213.9	352.3	566.2
Other adjustments	(0.3)	—	(0.3)
Goodwill at December 31, 2014	$577.0	$352.3	$929.3

10. Stockholder's Equity

On September 11, 2014, the Company entered into an Investment Agreement (the "Investment Agreement") with Public Sector Pension Investment Board ("PSP Investments"), GIC Private Limited ("GIC") (an affiliate of Singapore's sovereign wealth fund), and Ontario Teachers' Pension Plan Board ("OTPP"). Pursuant to the Investment Agreement, on September 17, 2014, the Company issued and sold 10,702,934 shares (the "Purchased Common Shares") in the aggregate of Company common stock, par value $0.001 per share (the "Company Common Stock"), and 371,848 shares (the "Purchased Preferred Stock" and, together with the Purchased Common Shares, the "Purchased Securities") in the aggregate of the Company's Series B Convertible Perpetual Preferred Stock, par value $0.001 per share, in a private placement. The purchase price per Purchased Common Share was $30.66 (resulting in aggregate gross proceeds to the Company of approximately $328.0 million), and the purchase price per share of Purchased Preferred Stock was $1,000 (resulting in aggregate gross proceeds to the Company of approximately $372.0 million). The Company received net proceeds of $684.2 million after equity issuance costs which was initially allocated between common and preferred stock based on the relative fair values of each instrument. The Purchased Preferred Stock was mandatorily convertible into an aggregate of 12,128,115 additional shares of Company Common Stock subject to the approval of the Company's stockholders. The Company held a special meeting of stockholders of the Company on December 23, 2014 in which the Company's stockholders approved the issuance of shares of Company Common Stock upon the conversion of the Purchased Preferred Stock. Immediately following the special meeting, the Purchased Preferred Stock was automatically converted into 12,128,115 shares of Company Common Stock. No additional consideration was received by the Company in connection with the conversion of the Purchased Preferred Stock into Company Common Stock.

The issuance and sale of the Purchased Securities pursuant to the Investment Agreement and the conversion of the Purchased Preferred Stock are exempt from registration under the Securities Act, pursuant to Section 4(a)(2) of the Securities Act, or any state securities laws.

The Purchased Preferred Stock was issued with an initial conversion price of $30.66, which represented a 5% discount to the then-current trailing 20-day volume weighted average price. As of September 11, 2014, the Company's common stock price was $34.05. As a result, the conversion feature was issued "in-the-money" and the Company allocated the intrinsic value of the conversion feature of $40.9 million to additional paid-in capital. The beneficial conversion feature was contingent upon receiving the approval of the Company's stockholders and was therefore recognized in net loss available to common stockholders upon receiving stockholder approval.

On February 5, 2014, the Company closed a registered underwritten public offering of 15,000,000 shares of common stock, and on February 11, 2014, the Company closed as part of the same public offering the sale of an additional 2,250,000 shares as a result of the full exercise of the underwriters' overallotment option, in each case at a price of $25.00 per share (together, the "February 2014 Offering"). The Company received $413.2 million in net proceeds from the February 2014 Offering after underwriting discounts and expenses.

On August 13, 2013, the Company closed a registered underwritten public offering of 9,694,027 shares of common stock, and on August 16, 2013, the Company closed as part of the same public offering the sale of an additional 1,454,104 shares as a result of the full exercise of the underwriters' overallotment option, in each case at a price of $22.75 per share (together, the "August 2013 Offering"). The Company received $239.5 million in net proceeds from the August 2013 Offering after underwriting discounts and expenses.

On March 20, 2012, the Company closed a registered underwritten public offering of 9,200,000 shares of common stock (the "March 2012 Offering"), including 1,200,000 shares issued and sold as a result of the full exercise of the underwriters' overallotment option, at a price of $15.75 per share. The Company received $137.0 million in net proceeds from the March 2012 Offering after underwriting discounts and expenses.

11. Stock-Based Compensation

On May 31, 2012, the stockholders of the Company approved the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan (the "2011 Plan"). The 2011 Plan provides for grants or awards to directors, officers and key employees of stock options, stock appreciation rights, restricted stock, restricted stock units, deferred share units, performance compensation awards, performance units, cash incentive awards and other equity-based or equity-related awards (collectively, "Awards") that the Compensation Committee of the Board of Directors (the "Committee") determines are consistent with the purpose of the 2011 Plan and interests of the Company.

The maximum aggregate number of shares of common stock that may be delivered pursuant to Awards under the 2011 Plan is 4,000,000 million shares plus shares remaining available for awards under the prior plan as of May 31, 2012 and any shares with respect to awards granted under the predecessor plans that are forfeited after May 31, 2012. In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off, the Committee shall equitably adjust any or all of the number of shares of the Company with respect to which Awards may be granted, including 2011 Plan share limits, the terms of any outstanding Award, the number of shares subject to outstanding Awards, and the exercise price of any Award, if applicable. Any shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued shares or of treasury shares.

The 2011 Plan will continue in effect until May 31, 2022, unless terminated earlier by the Board of Directors. As of December 31, 2014, there were 1.0 million shares available for issuance under the 2011 Plan.

During the years ended December 31, 2014, 2013 and 2012, the Company recognized the following stock-based compensation expense in sales, general and administrative expense.

	2014	2013	2012
Stock-based compensation expense	$7.5	$4.7	$4.4

The Company did not realize any excess tax benefit for tax deductions from any of the stock-based compensation plans in 2014, 2013 and 2012.

Stock Options

During the years ended December 31, 2014, 2013 and 2012, the Company granted stock options to certain key employees, officers and directors of the Company. For employees and officers, the options typically vest over three to five years after the grant date, have a ten year life, and an exercise price equal to the Company's stock price on the grant date while for directors, the options vest one year after the grant date, have a ten year life, and an exercise price equal to the Company's stock price on the grant date. The fair value of all options granted in 2014, 2013 and 2012 was estimated using the Black-Scholes valuation model and the assumptions noted in the following table.

Black-Scholes option-pricing model assumptions:

	2014	2013	2012
Weighted average risk-free interest rate	1.9%	1.6%	1.0%
Weighted average volatility	50.5%	51.0%	51.7%
Weighted average dividend yield	0.0%	0.0%	0.0%
Weighted average expected option term (in years)	6.44	6.44	6.47

For stock options with an exercise price equal to the Company's stock price on the date of grant, the expected term of options granted has been derived based upon the Company's history of actual exercise behavior and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon the Company's historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve with a term equal to the expected term of the option in effect at the time of grant.

A summary of stock option award activity for the years ended December 31, 2014, 2013 and 2012 is presented below:

	Stock Options				
	Stock Options	Weighted Average Exercise Price	Exercise Price Range	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term
Outstanding at December 31, 2011	1,381,958	$ 8.53	$ 2.28 - $18.07	$ 4.81	9.00
Granted	296,000	15.10	$11.46 - $18.07	7.45	
Exercised	(185,139)	5.15	$ 2.96 - $10.56	6.71	
Forfeited	(109,487)	12.63	$ 3.48 - $16.92	6.20	
Outstanding at December 31, 2012	1,383,332	$10.06	$ 2.28 - $18.07	$ 5.50	8.29
Granted	111,000	20.18	$16.57 - $23.19	10.13	
Exercised	(57,464)	4.59	$ 2.96 - $6.08	11.62	
Forfeited	(15,348)	14.25	$ 6.08 - $16.57	6.99	
Outstanding at December 31, 2013	1,421,520	$11.02	$ 2.28 - $23.19	$ 6.01	6.93
Granted	50,000	27.48	$23.31 - $31.28	14.37	
Exercised	(74,531)	6.83	$ 2.96 - $17.10	18.43	
Forfeited	(52,194)	15.21	$10.53 - $31.28	7.50	
Outstanding at December 31, 2014	1,344,795	$11.70	$ 2.68 - $27.87	$ 6.04	6.84
Options exercisable at December 31, 2014	839,145	$10.17	$ 2.68 - $22.03	$ 5.42	6.39

As of December 31, 2014, the Company had 839,145 options vested and exercisable and $2.5 million of unrecognized compensation cost related to stock options. The intrinsic value of options vested and exercisable at December 31, 2014 was $25.8 million. The remaining estimated compensation expense related to the existing stock options for the periods ended December 31, 2015, 2016, 2017, 2018 and 2019 is as follows:

	2015	2016	2017	2018	2019
Remaining estimated compensation expense related to existing stock options	$1.2	$0.9	$0.2	$0.1	$0.1

The total intrinsic value of options exercised during 2014, 2013 and 2012 was $1.7 million, $0.8 million and $0.6 million, respectively.

Restricted Stock Units and Performance-based Restricted Stock Units

During the years ended December 31, 2014, 2013 and 2012, the Company granted RSUs and PRSUs to certain key employees, officers and directors of the Company under the 2011 Plan with various vesting requirements as established by the Compensation Committee of the Board of Directors. The RSUs granted vest based on the passage of time. The vesting of certain RSU awards also is subject to the price of the Company's common stock exceeding a specified per share price for a designated period of time and continued employment at the Company by the grantee as of the vesting date. The PRSUs granted will vest based on the achievement of certain targets with respect to the Company's overall financial performance for specified periods. The vesting of certain PRSU awards also is subject to the price of the Company's common stock exceeding a specified per share price for a designated period of time and generally require continued employment at the Company by the grantee as of the vesting date.

In connection with the New Breed Transaction, the Company granted certain members of the New Breed management team an aggregate of 367,705 PRSU awards under the 2011 Plan. Pursuant to the PRSU award agreements, grantees are eligible to earn up to 367,705 PRSUs in the aggregate which will vest based on the achievement of certain targets with respect to New Breed's financial performance during 2015, 2016 and 2017. The vesting of all such PRSUs also is subject to the price of the Company's common stock exceeding a specified per share price for a designated period of time and continued employment at the Company by the grantee as of the vesting date.

In connection with the Pacer Transaction, certain members of the Pacer senior management team signed employment agreements with the Company that became effective upon completion of the acquisition. As part of their employment agreements, the Company granted the Pacer management team members an aggregate of 122,569 time-based RSU awards under the 2011 Plan. Certain of these awards vested 25% on the acquisition date of March 31, 2014 while the remaining 75% of the awards vest ratably on each of December 31, 2014, 2015 and 2016, subject to the employee's continued employment with the Company through each such date. Other RSUs awarded to the Pacer senior management team provided for vesting of 33.4% of the award on March 31, 2015, 33.3% on March 31, 2016 and 33.3% on March 31, 2017, subject to the employee's continued employment with the Company through each such date.

In connection with the 3PD Transaction, each member of the 3PD senior management team signed an employment agreement with the Company that became effective upon completion of the acquisition. Additionally, in order to incentivize 3PD's management, the Company granted the 3PD management team time-based RSUs and performance-based PRSUs under the 2011 Plan. Pursuant to the award agreements, members of the 3PD management team are eligible to earn up to 600,000 RSUs and PRSUs in the aggregate, of which 150,000 RSUs will vest in equal tranches on each of December 31, 2014, 2015 and 2016 based on the passage of time and 450,000 PRSUs will vest based on the achievement of certain targets with respect to 3PD's financial performance during 2016 and 2017 as part of the combined company. The vesting of all such RSUs and PRSUs also is subject to the price of the Company's common stock exceeding a specified per share price for a designated period of time and continued employment at the Company by the grantee as of the vesting date.

The RSUs and PRSUs may vest in whole or in part before the applicable vesting date if the grantee's employment is terminated by the Company without cause or by the grantee with good reason (as defined in the grant agreement), upon death or disability of the grantee or in the event of a change in control of the Company. Upon vesting, the RSUs and PRSUs result in the issuance of shares of XPO common stock after required minimum tax withholdings. The holders of the RSUs and PRSUs do not have the rights of a stockholder and do not have voting rights until certificates representing shares are issued and delivered in settlement of the awards.

For grants of RSUs and PRSUs subject to service or performance-based vesting conditions only, the fair value is established based on the market price of XPO common stock on the date of the grant. For grants of RSUs and PRSUs subject to market-based vesting conditions, the fair value is established using the Monte Carlo simulation lattice model. The actual number of PRSUs earned will be based on the Company's overall financial performance or the respective business unit's financial performance, as applicable, over the applicable performance periods. The fair value of RSUs is recognized as expense on a straight line basis over the awards' requisite service period. The fair value of PRSUs is recognized as expense on a straight line basis over the awards' requisite service period based on the number of awards expected to vest according to actual and expected financial results of the individual performance periods compared to set performance targets for those periods. If achievement of the performance targets for a PRSU award is not considered to be probable, then no expense will be recognized until achievement of such targets becomes probable.

The fair value of all grants of RSUs and PRSUs subject to market-based vesting conditions in 2014 and 2013 was estimated using the Monte Carlo simulation lattice model and the assumptions noted in the following table. No RSU grants in 2012 contained a market condition.

Monte Carlo model assumptions:

	2014	2013
Weighted average risk-free interest rate	1.2%	1.0%
Weighted average volatility	44.3%	50.0%
Weighted average dividend yield	—	—
Weighted average term (in years)	3.59	3.78

A summary of RSU and PRSU award activity for the years ended December 31, 2014, 2013 and 2012 is presented below:

	Restricted Stock Units		Performance-based Restricted Stock Units	
	Restricted Stock Units	Weighted Average Grant Date Fair Value	Performance-based Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2011	695,000	$10.33	—	$ —
Granted	420,691	12.78	—	—
Vested	(231,875)	11.04	—	—
Forfeited	—	—	—	—
Outstanding at December 31, 2012	883,816	$11.31	—	$ —
Granted	305,714	14.38	450,000	15.15
Vested	(219,875)	11.64	—	—
Forfeited	(68,000)	10.65	—	—
Outstanding at December 31, 2013	901,655	$13.26	450,000	$13.26
Granted	175,773	29.81	1,114,951	23.19
Vested	(295,600)	14.98	—	—
Forfeited	(89,005)	14.94	(1,000)	27.61
Outstanding at December 31, 2014	692,823	$15.23	1,563,951	$20.86

The stock-based compensation expense for outstanding RSUs was $5.8 million, $3.2 million and $3.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. The total fair value of RSUs vested during 2014, 2013 and 2012 was $9.9 million, $5.1 million and $3.4 million, respectively. Of the 692,823 outstanding RSUs, 452,109 vest subject to service conditions and 240,714 vest subject to service and market conditions.

No PRSUs vested during and no stock-based compensation expense was recognized for outstanding PRSUs for the years ended December 31, 2014, 2013 or 2012, respectively. Of the 1,563,951 outstanding PRSUs, 1,455,370 vest subject to service and a combination of market and performance conditions and 108,581 vest subject to service and performance conditions.

As of December 31, 2014, the Company had approximately $9.0 million of unrecognized compensation cost related to non-vested RSU compensation that is anticipated to be recognized over a weighted-average period of approximately 1.92 years. Remaining estimated compensation expense related to outstanding RSUs for the years ending December 31, 2015, 2016, 2017, 2018 and 2019 is as follows:

	2015	2016	2017	2018	2019
Remaining estimated compensation expense related to outstanding RSUs	$5.2	$3.2	$0.4	$0.2	$—

The remaining estimated compensation expense excludes the impact of PRSUs not deemed probable as of December 31, 2014. The unrecognized compensation cost related to PRSUs not deemed probable as of December 31, 2014 is $29.4 million.

12. Income Taxes

A summary of income (loss) before taxes related to U.S. and non U.S. operations are as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Operations			
U.S. domestic	$(87.2)	$(69.2)	$(29.4)
Foreign	(2.5)	(1.8)	(2.1)
Total pre-tax loss	$(89.7)	$(71.0)	$(31.5)

The components of the income tax provision consist of the following (in millions):

	Year Ended December 31,		
	2014	2013	2012
Current			
Federal	$ —	$ —	$ (2.2)
State	3.4	0.3	0.1
Foreign	0.5	(0.1)	(0.8)
	3.9	0.2	(2.9)
Deferred			
Federal	(27.8)	(22.1)	(7.5)
State	(2.7)	(0.6)	(0.9)
Foreign	0.5	—	0.1
	(30.0)	(22.7)	(8.3)
Total income tax provision	$(26.1)	$(22.5)	$(11.2)

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows:

	Year Ended December 31,		
	2014	2013	2012
U.S. Federal statutory tax rate	35.0%	34.0%	34.0%
State and local taxes, net	0.7%	0.6%	3.6%
Transaction expense	(1.7)%	(1.1)%	(0.7)%
Loss on convertible debt	(2.1)%	(1.1)%	— %
Change in valuation allowance	(1.4)%	(0.6)%	(1.6)%
Change in uncertain tax position provision	0.4%	0.3%	1.1%
All other non-deductible items	(1.3)%	(0.2)%	(0.5)%
Foreign tax rate differences	(0.5)%	(0.2)%	(0.3)%
Net effective tax rate	29.1%	31.7%	35.6%

The Company's 2014 consolidated effective tax rate was 29.1%, as compared to 31.7% in 2013 and 35.6% in 2012. The 2014 effective income tax rate varied from the statutory rate of 35% due primarily to state income taxes, the tax treatment of certain transaction related expenses, loss on convertible debt, and changes in the valuation allowance.

The tax effects of temporary differences that give rise to significant portions of the current deferred tax asset and non-current deferred tax liability at December 31, 2014 and 2013 are as follows (in millions):

	Year Ended December 31,	
	2014	2013
Deferred tax assets		
Net operating loss carryforward	$ 74.3	$ 37.1
Accrued expenses	13.2	3.7
Other	13.4	4.9
Total deferred tax asset	100.9	45.7
Valuation allowance	(7.1)	(2.6)
Total deferred tax asset, net	93.8	43.1
Deferred tax liabilities		
Intangible assets	(110.5)	(39.6)
Property & equipment	(41.9)	(6.3)
Other	(6.7)	(9.3)
Total deferred tax liability	(159.1)	(55.2)
Net deferred tax liability	$ (65.3)	$(12.1)

At December 31, 2014 and 2013, the Company had federal net operating losses of $195.4 million and $104.9 million, respectively, expiring at various times between 2028 and 2034. At December 31, 2014 and 2013, the tax effect (before federal benefit) of the Company's state net operating losses was $13.4 million and $4.8 million, respectively, expiring at various times between 2015 and 2034. Included in the federal and state net operating losses to be carried forward are $15.7 million of gross windfall tax benefits for stock compensation that has not been recognized as a deferred tax asset and will be recorded as an adjustment to additional paid-in-capital when recognized.

At December 31, 2014 and 2013, the Company had federal tax credit carryforwards of $1.8 million and $0.3 million expiring at various times starting in 2029 with certain credits having an unlimited carryforward period.

At December 31, 2014, the Company had state tax credit carryforwards of $1.5 million expiring at various times between 2015 and 2027. At December 31, 2013, the Company had no state tax credit carryforwards.

At December 31, 2014 and 2013, the tax effect of the Company's foreign net operating losses that are available to offset future taxable income were $2.4 million and $1.3 million, respectively. These foreign loss carryforwards will expire at various times between 2026 and 2034.

The Company believes it is more likely than not that future earnings and reversal of existing deferred tax liabilities will be sufficient to fully utilize the net operating loss deferred tax assets within the carryforward period. Although currently not anticipated, the Company's ability to use its federal and state net operating loss carryforwards may become subject to restrictions attributable to equity transactions in the future resulting from changes in ownership as defined under Internal Revenue Code Section 382.

As a result of the acquisition of New Breed in 2014, the Company recognized tax benefits related to New Breed's final pre-acquisition period net operating losses of $61.7 million and will file in early 2015 a U.S. Federal net operating loss carryback refund claim for $14.7 million. The Company anticipates receiving the refund in early 2015. This amount has been recorded as a current receivable.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2014, the Company has not made a provision for U.S. or additional foreign withholding taxes for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration, if any exists. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

During the year ended December 31, 2014, the Company reassessed its U.S. and foreign valuation allowance requirements. The Company evaluated all available evidence in its analysis, including reversal of the deferred tax liabilities, carrybacks available and historical and projected pre-tax profits generated by the Company's U.S. operations. The Company also considered tax planning strategies that are prudent and can be reasonably implemented. The reversal of deferred tax liabilities prior to expiration of the deferred tax assets was the most significant factor in the Company's determination of the valuation allowance under the "more likely than not" criteria. The Company's valuation allowance as of December 31, 2014 was $4.8 million for domestic deferred tax assets and $2.3 million for foreign jurisdictions where it is not "more likely than not" that the deferred tax assets will be utilized. At December 31, 2013, the Company had a valuation allowance of $1.6 million on its domestic deferred tax assets and $1.0 million on its foreign deferred tax assets. The change in the Company's valuation allowance of $4.5 million is a result of the assessment of deferred tax assets as established at the acquisition of Pacer and through the Company's determination that certain state and foreign deferred tax assets do not meet the "more likely than not" criteria during the period.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows (in millions):

	Year Ended December 31,	
	2014	**2013**
Uncertain tax positions, beginning of the year	$ 0.8	$ 0.6
Additions for tax positions of prior years	—	0.4
Additions for tax positions from acquisitions	5.8	—
Reductions due to the statute of limitations	(0.4)	(0.2)
Uncertain tax positions, end of the year	$ 6.2	$ 0.8

The Company recognizes interest and penalties accrued related to uncertain tax positions in the provision for income taxes. For the years ended December 31, 2014 and 2013, $2.0 million and $0.8 million of the unrecognized tax benefits of $6.2 million and $0.8 million, respectively, if resolved favorably, would impact our effective tax rates. The release of the remaining $3.6 million of unrecognized tax benefits would not affect the tax rate upon favorable resolution as the liability would be settled through a holdback provision of an acquisition agreement.

The Company and its U.S. subsidiaries, file a consolidated Federal income tax return. The Company also files unitary or separate returns in various state and local jurisdictions based on state and local filing requirements. As a matter of course, various taxing authorities, including the IRS, regularly audit the Company. These audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. Currently, the Company's 2010 tax year is under examination by the IRS. While there are no other Federal, state or local examinations currently in progress, generally, the Federal returns after 2010 and state and local returns after 2007 are open under relevant statute of limitations and therefore subject to potential adjustment. All federal, state and local income tax returns for the Company are filed through 2013. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters.

13. Earnings per Share

Basic earnings per common share are computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income available to common stockholders by the combined weighted average number of shares of common stock outstanding and the potential dilution of stock options, warrants, RSUs, PRSUs, Convertible Notes and the Company's Series A Convertible Perpetual Preferred Stock, par value $0.001 per share, outstanding during the period, if dilutive. The weighted average of potentially dilutive securities excluded from the computation of diluted earnings per share for the three years ended December 31, 2014 is shown per the table below.

	Year Ended December 31,		
	2014	2013	2012
Basic common stock outstanding	53,629,962	22,752,320	15,694,430
Potentially Dilutive Securities:			
Shares underlying the conversion of preferred stock to common stock	10,483,052	10,607,309	10,695,326
Shares underlying the conversion of the convertible senior notes	7,342,864	8,623,331	2,238,758
Shares underlying warrants to purchase common stock	8,202,468	6,900,642	5,717,284
Shares underlying stock options to purchase common stock	555,977	356,815	473,421
Shares underlying restricted stock units and performance-based restricted stock units	797,026	367,183	249,139
	27,381,387	26,855,280	19,373,928
Diluted weighted shares outstanding	81,011,349	49,607,600	35,068,358

The impact of this dilution was not reflected in the earnings per share calculations in the consolidated statements of operations because the impact was anti-dilutive. The treasury method was used to determine the shares underlying warrants, stock options, RSUs and PRSUs for potential dilution with an average market price of $31.30 per share, $19.69 per share and $15.01 per share for the years ended December 31, 2014, 2013 and 2012, respectively.

14. Related Party Transactions

During the year ended December 31, 2014, the Company leased office space from two entities partially owned and controlled by Louis DeJoy, the former Chief Executive Officer of New Breed, who became an employee upon the Company's acquisition of New Breed. The non-cancellable lease agreements expire at various dates in 2019, subject to renewal options. The Company recorded payments associated with these lease agreements in the amount of $0.7 million for the year ended December 31, 2014. See **Note 3—Acquisitions** for further discussion on the common stock issued to Mr. DeJoy as part of the acquisition of New Breed.

On August 15, 2013, the Company completed its acquisition of 3PD, pursuant to the 3PD Stock Purchase Agreement to which Mr. James J. Martell was a party. Mr. Martell is a member of the board of directors of the Company and also was an investor in, and member of the board of directors of, 3PD. Mr. Martell recused himself from, and did not participate in, deliberations of the Company's board of directors with respect to the acquisition of 3PD. Other than his interest in the purchase price paid pursuant to the 3PD Stock Purchase Agreement, Mr. Martell did not receive compensation in connection with the acquisition of 3PD. On July 12, 2013, Mr. Martell entered into a subscription agreement with the Company pursuant to which, on August 15, 2013, he invested $0.7 million of the after-tax proceeds he received in the transaction in restricted shares of the Company's common stock.

15. Quarterly Financial Data (Unaudited)

The Company's unaudited results of operations for each of the quarters in the years ended December 31, 2014, 2013 and 2012 are summarized below (in millions, except per share data):

XPO Logistics, Inc.
Quarterly Financial Data
(In millions)

	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Revenue	$282.4	$581.0	$662.5	$830.7
Operating expenses				
Cost of purchased transportation and services	224.0	459.1	487.4	531.3
Direct operating expense	4.0	27.2	71.0	171.0
Sales, general and administrative expense	75.8	106.6	117.7	122.4
Total operating expenses	303.8	592.9	676.1	824.7
Operating (loss) income	(21.4)	(11.9)	(13.6)	6.0
Other expense	0.1	0.3	0.3	0.1
Interest expense	10.1	3.4	17.8	16.7
Loss before income tax benefit	(31.6)	(15.6)	(31.7)	(10.8)
Income tax benefit	(3.3)	(1.8)	(20.1)	(0.9)
Net loss	(28.3)	(13.8)	(11.6)	(9.9)
Preferred stock beneficial conversion charge	—	—	—	(40.9)
Cumulative preferred dividends	(0.8)	(0.7)	(0.7)	(0.7)
Net loss available to common stockholders	$ (29.1)	$ (14.5)	$ (12.3)	$ (51.5)
Basic loss per share				
Net loss	$ (0.70)	$ (0.28)	$ (0.23)	$ (0.77)
Diluted loss per share				
Net loss	$ (0.70)	$ (0.28)	$ (0.23)	$ (0.77)

	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Revenue	$114.0	$137.1	$194.0	$257.2
Operating expenses				
Cost of purchased transportation and services	97.7	117.8	159.1	204.1
Direct operating expense	—	—	2.1	4.3
Sales, general and administrative expense	27.6	33.4	51.2	57.3
Total operating expenses	125.3	151.2	212.4	265.7
Operating loss	(11.3)	(14.1)	(18.4)	(8.5)
Other expense	0.1	0.2	—	0.2
Interest expense	3.1	3.1	6.4	5.6
Loss before income tax provision	(14.5)	(17.4)	(24.8)	(14.3)
Income tax benefit	0.2	0.1	(19.1)	(3.7)
Net loss	(14.7)	(17.5)	(5.7)	(10.6)
Cumulative preferred dividends	(0.8)	(0.8)	(0.7)	(0.7)
Net loss available to common stockholders	$ (15.5)	$ (18.3)	$ (6.4)	$ (11.3)
Basic loss per share				
Net loss	$ (0.85)	$ (1.00)	$ (0.28)	$ (0.37)
Diluted loss per share				
Net loss	$ (0.85)	$ (1.00)	$ (0.28)	$ (0.37)

	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Revenue	$ 44.6	$ 54.5	$ 71.0	$108.5
Operating expenses				
Cost of purchased transportation and services	37.8	46.1	61.1	92.8
Direct operating expense	—	—	—	—
Sales, general and administrative expense	11.0	11.8	19.2	26.8
Total operating expenses	48.8	57.9	80.3	119.6
Operating loss	(4.2)	(3.4)	(9.3)	(11.1)
Other expense	—	—	0.3	—
Interest expense	—	—	—	3.2
Loss before income tax provision	(4.2)	(3.4)	(9.6)	(14.3)
Income tax benefit	(1.5)	1.8	(6.5)	(5.0)
Net loss	(2.7)	(5.2)	(3.1)	(9.3)
Cumulative preferred dividends	(0.8)	(0.8)	(0.7)	(0.7)
Net loss available to common stockholders	$ (3.5)	$ (6.0)	$ (3.8)	$ (10.0)
Basic loss per share				
Net loss	$(0.36)	$(0.34)	$(0.22)	$ (0.57)
Diluted loss per share				
Net loss	$(0.36)	$(0.34)	$(0.22)	$ (0.57)

16. Segment Reporting and Geographic Information

The Company determines its operating segments based on the information utilized by the chief operating decision maker, the Company's Chief Executive Officer, to allocate resources and assess performance. Based on this information, the Company has determined that it has two operating segments and two reportable segments.

The Company’s operating segments are Transportation and Logistics. The differences in the Company’s operating and reportable segments from the Company’s last annual report are related to an internal management reorganization and its acquisitions during the year ended December 31, 2014. The Company’s previous Freight Brokerage, Expedited Transportation and Freight Forwarding reportable segments have been consolidated into the Transportation operating and reportable segment while the Company’s acquisition of New Breed (previously the Contract Logistics reportable segment) represents the Logistics operating and reportable segment. See Note 1 of the Consolidated Financial Statements for further information and Note 17 for prior period quarterly segment data conformed to the new reportable segment structure. Prior period amounts have been adjusted retrospectively to reflect these reportable segment changes.

These reportable segments are strategic business units through which the Company offers different services. The Company evaluates the performance of the segments primarily based on their respective net operating margin and also evaluates revenues, net revenue margin and operating income. Accordingly, interest expense and other non-operating items are not reported in segment results. In addition, the Company has disclosed a corporate segment, which is not an operating segment and includes the costs of the Company’s executive and shared service teams, professional services such as legal and consulting, board of directors, and certain other corporate costs associated with operating as a public company. The Company allocates charges to the reportable segments for IT services, depreciation of IT fixed assets as well as centralized recruiting and training resources. Intercompany transactions have been eliminated in the consolidated balance sheets and results of operations. Intra-segment transactions have been eliminated in the reportable segment results of operations whereas inter-segment transactions represent a reconciling item to consolidated results as shown below.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on various financial measures of the respective business segments. The chief operating decision maker does not review assets by segment for purposes of allocating resources and therefore assets by segment are not disclosed. The following schedule identifies select financial data for each of the Company's reportable segments for the years ended December 31, 2014, 2013 and 2012, respectively (in millions):

XPO Logistics, Inc.
Segment Data
(In millions)

	Transportation	Logistics	Corporate	Eliminations	Total
Year Ended December 31, 2014					
Revenue	$2,140.0	$216.6	$ —	$ —	$2,356.6
Operating income (loss)	18.9	17.6	(77.4)	—	(40.9)
Depreciation and amortization	79.5	16.3	2.5	—	98.3
Interest expense	0.5	—	47.5	—	48.0
Tax provision (benefit)	0.8	—	(26.9)	—	(26.1)
Goodwill	577.0	352.3	—	—	929.3
Capital expenditures	13.4	24.0	7.2	—	44.6
Year Ended December 31, 2013					
Revenue	$ 702.3	$ —	$ —	$ —	$ 702.3
Operating loss	(7.2)	—	(45.1)	—	(52.3)
Depreciation and amortization	19.7	—	1.1	—	20.8
Interest expense	—	—	18.2	—	18.2
Tax benefit	(2.4)	—	(20.1)	—	(22.5)
Goodwill	363.4	—	—	—	363.4
Capital expenditures	5.3	—	6.3	—	11.6
Year Ended December 31, 2012					
Revenue	$ 278.6	$ —	$ —	$ —	$ 278.6
Operating income (loss)	2.4	—	(30.4)	—	(28.0)
Depreciation and amortization	2.3	—	0.4	—	2.7
Interest expense	—	—	3.2	—	3.2
Tax benefit	(0.6)	—	(10.6)	—	(11.2)
Goodwill	55.9	—	—	—	55.9
Capital expenditures	3.0	—	4.0	—	7.0

For segment reporting purposes by geographic region, revenues are attributed to the sales office location. The following table presents revenues generated by geographical area for the years ended December 31, 2014, 2013 and 2012, respectively (in millions):

	Year Ended December 31,		
	2014	2013	2012
Revenue			
United States	$2,141.4	$628.0	$247.9
North America (excluding United States)	132.0	74.3	30.7
Asia	66.3	—	—
Other	16.9	—	—
Total	$2,356.6	$702.3	$278.6

All material assets are located in the United States of America.

17. Conformed Historical Quarterly Segment Data (Unaudited)

The Company's conformed unaudited segment financial data for each of the quarters in the years ended December 31, 2014, 2013 and 2012 are summarized below (in millions):

XPO Logistics, Inc.
Conformed Historical Quarterly Segment Data
(In millions)

	Transportation	Logistics	Corporate	Eliminations	Total
Three Months Ended March 31, 2014					
Revenue	$282.4	$ —	$ —	$ —	$282.4
Operating income (loss)	0.1	—	(21.5)	—	(21.4)
Depreciation and amortization	10.7	—	0.6	—	11.3
Interest expense	—	—	10.1	—	10.1
Tax provision (benefit)	0.6	—	(3.9)	—	(3.3)
Goodwill	539.1	—	—	—	539.1
Three Months Ended June 30, 2014					
Revenue	$581.0	$ —	$ —	$ —	$581.0
Operating income (loss)	3.2	—	(15.1)	—	(11.9)
Depreciation and amortization	24.7	—	0.5	—	25.2
Interest expense	—	—	3.4	—	3.4
Tax benefit	—	—	(1.8)	—	(1.8)
Goodwill	540.7	—	—	—	540.7
Three Months Ended September 30, 2014					
Revenue	$612.4	$ 50.1	$ —	$ —	$662.5
Operating income (loss)	4.9	4.6	(23.1)	—	(13.6)
Depreciation and amortization	23.2	3.4	0.6	—	27.2
Interest expense	0.3	—	17.5	—	17.8
Tax benefit	0.1	—	(20.2)	—	(20.1)
Goodwill	566.3	352.2	—	—	918.5
Three Months Ended December 31, 2014					
Revenue	$664.2	$166.5	$ —	$ —	$830.7
Operating income (loss)	10.7	13.0	(17.7)	—	6.0
Depreciation and amortization	20.9	12.9	0.8	—	34.6
Interest expense	0.2	—	16.5	—	16.7
Tax benefit	0.1	—	(1.0)	—	(0.9)
Goodwill	577.0	352.3	—	—	929.3

	Transportation	Logistics	Corporate	Eliminations	Total
Three Months Ended March 31, 2013					
Revenue	$114.0	$ —	$ —	$ —	$114.0
Operating loss	(2.7)	—	(8.6)	—	(11.3)
Depreciation and amortization	1.3	—	0.2	—	1.5
Interest expense	—	—	3.1	—	3.1
Tax provision (benefit)	—	—	0.2	—	0.2
Goodwill	66.9	—	—	—	66.9
Three Months Ended June 30, 2013					
Revenue	$137.1	$ —	$ —	$ —	$137.1
Operating loss	(3.3)	—	(10.8)	—	(14.1)
Depreciation and amortization	1.6	—	0.2	—	1.8
Interest expense	—	—	3.1	—	3.1
Tax benefit	—	—	0.1	—	0.1
Goodwill	69.9	—	—	—	69.9
Three Months Ended September 30, 2013					
Revenue	$194.0	$ —	$ —	$ —	$194.0
Operating loss	(4.3)	—	(14.1)	—	(18.4)
Depreciation and amortization	8.1	—	0.3	—	8.4
Interest expense	—	—	6.4	—	6.4
Tax benefit	0.3	—	(19.4)	—	(19.1)
Goodwill	302.8	—	—	—	302.8
Three Months Ended December 31, 2013					
Revenue	$257.2	$ —	$ —	$ —	$257.2
Operating income (loss)	3.1	—	(11.6)	—	(8.5)
Depreciation and amortization	8.7	—	0.4	—	9.1
Interest expense	—	—	5.6	—	5.6
Tax benefit	(2.7)	—	(1.0)	—	(3.7)
Goodwill	363.4	—	—	—	363.4

	Transportation	Logistics	Corporate	Eliminations	Total
Three Months Ended March 31, 2012					
Revenue	$ 44.6	$ —	$ —	$ —	$ 44.6
Operating income (loss)	1.9	—	(6.1)	—	(4.2)
Depreciation and amortization	0.2	—	—	—	0.2
Interest expense	—	—	—	—	—
Tax provision (benefit)	—	—	(1.5)	—	(1.5)
Goodwill	17.0	—	—	—	17.0
Three Months Ended June 30, 2012					
Revenue	$ 54.5	$ —	$ —	$ —	$ 54.5
Operating income (loss)	2.0	—	(5.4)	—	(3.4)
Depreciation and amortization	0.4	—	0.1	—	0.5
Interest expense	—	—	—	—	—
Tax benefit	—	—	1.8	—	1.8
Goodwill	19.1	—	—	—	19.1
Three Months Ended September 30, 2012					
Revenue	$ 71.0	$ —	$ —	$ —	$ 71.0
Operating loss	(0.6)	—	(8.7)	—	(9.3)
Depreciation and amortization	0.6	—	0.1	—	0.7
Interest expense	—	—	—	—	—
Tax benefit	(0.4)	—	(6.1)	—	(6.5)
Goodwill	22.5	—	—	—	22.5
Three Months Ended December 31, 2012					
Revenue	$108.5	$ —	$ —	$ —	$108.5
Operating loss	(0.9)	—	(10.2)	—	(11.1)
Depreciation and amortization	1.1	—	0.2	—	1.3
Interest expense	—	—	3.2	—	3.2
Tax benefit	(0.2)	—	(4.8)	—	(5.0)
Goodwill	55.9	—	—	—	55.9

18. Subsequent Events

Preferred Stock Dividend

On December 11, 2014, the Company's board of directors approved the declaration of a dividend payable to holders of the Series A convertible perpetual preferred stock. The declared dividend equaled $10 per share of preferred stock as specified in the Certificate of Designation of the preferred stock. The total declared dividend equaled $0.7 million and was paid on January 15, 2015.

Convertible Debt Conversion

On January 13, 2015 and February 17, 2015, the Company entered into three privately negotiated agreements pursuant to which the Company agreed to issue a total of 1,859,231 shares of common stock to holders of the Company's Convertible Notes in connection with the conversion of $30.6 million aggregate principal amount of the Convertible Notes. Two such transactions closed on January 16, 2015 and the third closed on February 20, 2015. These transactions included induced conversions pursuant to which the Company paid the holders a market-based premium in cash. The negotiated market-based premium, in addition to the difference between the current fair value and the book value of the Convertible Notes, will be reflected in interest expense in the first quarter of 2015. The number of shares of common stock issued in the foregoing transactions equals the number of shares of common stock presently issuable to holders of the Convertible Notes upon conversion under the original terms of the Convertible Notes.

Issuance of Additional Senior Notes due 2019

On February 13, 2015, the Company completed an additional private placement of $400 million aggregate principal amount of senior notes due 2019 (the "Additional Senior Notes"). The Additional Senior Notes were offered to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The sales of the Additional Senior Notes was not registered under the Securities Act. Unless so registered, the Additional Senior Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The terms of the Additional Senior Notes are identical to the original issuance of Senior Notes due 2019.

Acquisition of UX Specialized Logistics

On February 9, 2015, the Company acquired substantially all of the assets of UX Specialized Logistics ("UX"), a North American provider of last mile logistics services for major retail chains and e-commerce companies. The purchase price for the UX transaction was $59.0 million in cash consideration, excluding any working capital adjustments, with no assumption of debt.

EXHIBIT INDEX

Exhibit Number	Description
2.1 *	Investment Agreement, dated as of June 13, 2011, by and among Jacobs Private Equity, LLC ("JPE"), each of the other investors party thereto and the registrant (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated June 14, 2011).
2.2 *	Stock Purchase Agreement, dated July 12, 2013, by and among 3PD Holding, Inc., Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair, Mr. James J. Martell and XPO Logistics, Inc. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated July 12, 2013).
2.3 *	Amendment No. 1 dated August 14, 2013 to Stock Purchase Agreement dated July 12, 2013 by and among the Company, 3PD, Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair and Mr. James J. Martell (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated August 15, 2013).
2.4 *	Agreement and Plan of Merger, dated as of January 5, 2014, by and among Pacer International, Inc., XPO Logistics, Inc. and Acquisition Sub, Inc. (incorporated by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on January 6, 2014).
2.5 *	Agreement and Plan of Merger, dated as of July 29, 2014, by and among New Breed Holding Company, XPO Logistics, Inc., Nexus Merger Sub, Inc. and NB Representative, LLC, in its capacity as the Representative (incorporated by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on July 30, 2014).
2.6 *	Share Purchase Agreement dated August 3, 2012 among XPO Logistics Canada Inc., 1272387 Ontario Inc. and 1272393 Ontario Inc., and Keith Matthews and Geoff Bennett (incorporated herein by reference to Exhibit 2.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
2.7 *	Asset Purchase Agreement dated August 3, 2012 among XPO Logistics, LLC, Kelron Distribution Systems (Cleveland) LLC, and Keith Matthews and Geoff Bennett (incorporated herein by reference to Exhibit 2.2 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
2.8 *	Asset Purchase Agreement, dated October 24, 2012, by and among XPO Logistics, Inc., XPO Logistics, LLC, Turbo Logistics, Inc., Turbo Dedicated, Inc., Ozburn-Hessey Logistics, LLC, and OHH Acquisition Corporation (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated October 24, 2012).
3.1 *	Amended and Restated Certificate of Incorporation of the registrant, dated May 17, 2005 (incorporated herein by reference to Exhibit 3.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
3.2 *	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 31, 2006 (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated June 7, 2006).
3.3 *	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated June 20, 2007 (incorporated herein by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (the "June 2007 Form 10-Q")).
3.4 *	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 1, 2011 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated September 6, 2011 (the "September 2011 Form 8-K")).

Exhibit Number	Description
3.5 *	2nd Amended and Restated Bylaws of the registrant, dated August 30, 2007 (incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K/A dated September 14, 2007).
4.1 *	Certificate of Designation of Series A Convertible Perpetual Preferred Stock of the registrant (incorporated herein by reference to Exhibit 4.1 of the September 2011 Form 8-K).
4.2 *	Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 of the September 2011 Form 8-K).
4.3 *	Registration Rights Agreement, dated as of September 2, 2011, by and among JPE, each of the other holders and designated secured lenders party thereto and the registrant (incorporated herein by reference to Exhibit 4.3 of the September 2011 Form 8-K).
4.4 *	Senior Indenture dated as of September 26, 2012 between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated herein by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K dated September 26, 2012 (the "September 2012 Form 8-K").
4.5 *	First Supplemental Indenture dated as of September 26, 2012 between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, supplementing the Senior Indenture dated as of September 26, 2012 (incorporated herein by reference to Exhibit 4.2 of the September 2012 Form 8-K).
4.6 *	Form of Indenture for Senior Debt Securities between the Company and one or more banking institutions to be qualified as Trustee pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-3, registration statement no. 333-188848, filed with the Securities and Exchange Commission on May 24, 2013 (the "May 2013 Form S-3")).
4.7 *	Form of Indenture for subordinated Debt Securities between the Company and one or more banking institutions to be qualified as Trustee pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 4.8 to the registrant's May 2013 Form S-3).
4.8 *	Indenture, dated as of August 25, 2014, between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on August 26, 2014).
4.9 *	Investment Agreement, dated as of September 11, 2014, by and among XPO Logistics, Inc. and the Purchasers set forth on Schedule I thereto (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on September 15, 2014).
4.10 *	Certificate of Designation of Series B Convertible Perpetual Preferred Stock of XPO Logistics, Inc., dated as of September 17, 2014 (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on September 18, 2014).
10.1 +*	Amended and Restated 2011 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit A to XPO Logistics, Inc.'s definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 27, 2012).
10.2 +*	2001 Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-8 dated May 20, 2010).
10.3 +*	Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).

Exhibit Number	Description
10.4 +*	Form of Performance-Based Restricted Stock Unit Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.5 +*	Form of Option Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.6 +*	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.7 +*	Form of Option Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.22 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.8 +*	Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants from June 2011 through September 2011) (incorporated herein by reference to Exhibit 10.23 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.9 +*	Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants through May 2011) (incorporated herein by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.10 +*	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on March 20, 2014).
10.11 +*	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to XPO's Current Report on Form 8-K filed with the SEC on March 20, 2014).
10.12 +*	Employment Agreement between the registrant and Bradley S. Jacobs, dated November 21, 2011 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated November 21, 2011).
10.13 +*	Employment Agreement between the registrant and John J. Hardig, dated February 3, 2012 (incorporated herein by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated on February 7, 2012).
10.14 +*	Employment Agreement between the registrant and Scott B. Malat, dated September 20, 2011 (incorporated herein by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 (the "September 2011 Form 10-Q")).
10.15 +*	Amended and Restated Employment Agreement, dated as of March 14, 2014, between the registrant and Gordon E. Devens (incorporated by reference to Exhibit 10.3 to XPO's Current Report on Form 8-K filed with the SEC on March 20, 2014).
10.16 +*	Amended and Restated Employment Agreement, dated as of March 14, 2014, between the registrant and Mario A. Harik (incorporated by reference to Exhibit 10.5 to XPO's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).
10.17 +*	Amended and Restated Employment Agreement, dated March 14, 2014, between the registrant and Troy A. Cooper (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on May 20, 2014).

Exhibit Number	Description
10.18 +*	Amended and Restated Revolving Loan Credit Agreement, dated as of April 1, 2014, by and among XPO Logistics, Inc. and certain subsidiaries, Morgan Stanley Bank, N.A., Morgan Stanley Senior Funding, Inc., Credit Suisse AG, Cayman Islands Branch, Deutsche Bank AG New York Branch, JPMorgan Chase Bank, N.A., Citibank N.A. and KeyBank National Association as Lenders, and Morgan Stanley Senior Funding, Inc., as Administrative Agent (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on April 4, 2014)
10.19 +*	Amendment to Amended and Restated Revolving Loan Credit dated as of August 8, 2014 (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on August 11, 2014).
14 *	Senior Officer Code of Business Conduct and Ethics (incorporated herein by reference to Exhibit 14.1 to the registrant's Current Report on Form 8-K dated January 20, 2012).
21	Subsidiaries of the registrant.
23	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
32.1	Certification of the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
32.2	Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
101.INS †	XBRL Instance Document.
101.SCH †	XBRL Taxonomy Extension Schema.
101.CAL †	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF †	XBRL Taxonomy Extension Definition Linkbase.
101.LAB †	XBRL Taxonomy Extension Label Linkbase.
101.PRE †	XBRL Taxonomy Extension Presentation Linkbase.

* Incorporated by reference.

\+ This exhibit is a management contract or compensatory plan or arrangement.

This exhibit will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

† Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Act of 1934 and otherwise are not subject liability under those sections.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Reconciliation of Non-GAAP Measures
XPO Logistics, Inc.
Consolidated Reconciliation of Adjusted EBITDA to Net Loss
(In millions)

	Year Ended December 31,		
	2014	2013	Change %
Net loss available to common shareholders	$(107.4)	$(51.5)	108.5%
Preferred dividends	(2.9)	(3.0)	−3.3%
Preferred stock beneficial conversion charge	(40.9)	—	100.0%
Net loss	(63.6)	(48.5)	31.1%
Debt commitment fees[1]	14.4	3.0	380.0%
Other interest expense	33.6	15.2	121.1%
Income tax benefit	(26.1)	(22.5)	16.0%
Accelerated amortization of trade names	3.3	3.1	6.5%
Other depreciation and amortization	95.0	17.7	436.7%
EBITDA	$ 56.6	$(32.0)	−276.9%
Transaction and integration costs	23.6	6.5	263.1%
XPO Express and XPO Last Mile rebranding costs	1.2	—	100.0%
Adjusted EBITDA	$ 81.4	$(25.5)	−419.2%

(1) Debt commitment fees are recorded in interest expense.

Non-GAAP Financial Measures

The letter to stockholders in this annual report contains certain non-GAAP financial measures as defined under Securities and Exchange Commission (“SEC”) rules, such as earnings (loss) before interest, taxes, depreciation and amortization (“EBITDA”) and adjusted EBITDA, in each case for the 12-month periods ended December 31, 2014 and 2013. As required by SEC rules, we provide reconciliations of these measures to the most directly comparable measure under United States generally accepted accounting principles (“GAAP”), which are set forth above. We believe that adjusted EBITDA improves comparability from period to period by removing the impact of our capital structure (interest expense from our outstanding debt), asset base (depreciation and amortization), tax consequences and transaction and integration costs related to completed acquisitions. In addition to its use by management, we believe that adjusted EBITDA is a measure widely used by securities analysts, investors and others to evaluate the financial performance of companies in our industry. Other companies may calculate adjusted EBITDA differently, and therefore our measure may not be comparable to similarly titled measures of other companies. Adjusted EBITDA is not a measure of financial performance or liquidity under GAAP and should not be considered in isolation or as an alternative to net income, cash flows from operating activities and other measures determined in accordance with GAAP. Items excluded from adjusted EBITDA are significant and necessary components of the operations of our business, and, therefore, adjusted EBITDA should only be used as a supplemental measure of our operating performance.

XPO Logistics

BOARD OF DIRECTORS:

Bradley S. Jacobs
Chairman and Chief Executive Officer,
XPO Logistics, Inc.

G. Chris Andersen
Founder and Managing Partner,
G.C. Andersen Partners, LLC

Michael G. Jesselson
President,
Jesselson Capital Corporation

Adrian P. Kingshott
Chief Executive Officer, AdSon LLC;
Senior Advisor to
Headwaters Merchant Bank

James J. Martell
Independent Operating Executive,
Welsh, Carson, Anderson & Stowe

Jason D. Papastavrou
Founder and Chief Investment Officer,
ARIS Capital Management, LLC
Co-founder,
Empiric Asset Management, LLC

Oren G. Shaffer
Vice Chairman and Chief Financial
Officer (retired), Qwest Communications
International, Inc.

CORPORATE EXECUTIVE OFFICE:

Five Greenwich Office Park
Greenwich, Connecticut 06831
Tel. (855) 976-4636

FINANCIAL AND OTHER COMPANY INFORMATION:

Copies of XPO Logistics, Inc.'s financial information such as the Company's Annual Report on Form 10-K as filed with the SEC, quarterly reports on Form 10-Q and Proxy Statement are available at the Company's website at *www.xpo.com* or by contacting "Investor Relations" at our corporate executive office address.

ANNUAL MEETING OF STOCKHOLDERS:

The Annual Meeting of Stockholders will be held on May 19, 2015 at 10:00 a.m., Eastern Daylight Time (EDT), at the Marriott Hotel & Spa, located at 243 Tresser Boulevard, Stamford, CT 06901.

TRANSFER AGENT:

Computershare Investor Services, LLC
Tel. (877) 581-5548

www.computershare.com/investor

Mailing address - courier:
211 Quality Circle, Suite 210
College Station, TX 77845

Mailing address - regular mail:
P.O. Box 30170
College Station, TX 77842-3170

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:

KPMG LLP, Chicago, IL

COMMON STOCK:

The company's common stock is traded on NYSE under the symbol "XPO."

As of April 2, 2015, there were 252 stockholders of record.

XPO Logistics

www.xpo.com