

Echo Global Logistics, Inc.  
Form 10-K  
February 26, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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 001-34470  
ECHO GLOBAL LOGISTICS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

20-5001120

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer Identification No.)

600 West Chicago Avenue, Suite 725  
Chicago, Illinois

60654

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 354-7993

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

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.0001 per share

The Nasdaq Global Market

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 15(d) of the Act.

Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant's most recent completed second quarter, was \$408,561,871 (based upon closing price of these shares on the Nasdaq Global Market).

The number of shares of the registrant's common stock outstanding as of the close of business on February 25, 2015 was 23,825,869.

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Documents incorporated by reference:

Portions of the Registrant's Proxy Statement for its Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K, provided that if such Proxy Statement is not filed with the Securities and Exchange Commission (the "SEC") within 120 days after the end of the fiscal year covered by this Form 10-K, an amendment to this Form 10-K shall be filed no later than the end of such 120-day period.

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Part I

Item 1. Business

Unless otherwise indicated or the context otherwise requires, references in this Annual Report on Form 10-K to "Echo Global Logistics," "Echo," the "Company," "we," "us" or "our" are to Echo Global Logistics, Inc., a Delaware corporation and subsidiaries.

Certain statements in this Annual Report on Form 10-K are "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 Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements involve a number of risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors which could materially affect such forward-looking statements can be found in Part I, Item 1 "Business," Part I, Item 1A "Risk Factors" and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K. Investors are urged to consider these factors carefully in evaluating any forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Our Company

Echo Global Logistics is a leading provider of technology-enabled transportation and supply chain management solutions. We utilize a proprietary technology platform to compile and analyze data from our multi-modal network of transportation providers to satisfy the transportation and logistics needs of our clients. This model enables us to quickly adapt to and offer efficient and cost-effective solutions for our clients' shipping needs. We focus primarily on arranging transportation by truckload ("TL") and less than truckload ("LTL") carriers. We also offer intermodal (which involves moving a shipment by rail and truck), small parcel, domestic air, expedited and international transportation services. Our core logistics services include rate negotiation, shipment execution and tracking, carrier management, routing compliance and performance management reporting.

The success of our model and its ability to deliver a competitive value proposition to the small and middle-market shipper has been the main driver behind our historical growth and we believe will serve as the basis for our continued expansion. Our market share has grown rapidly within this market segment in recent years, primarily through organic growth with the addition of new customers, the expansion of relationships with existing customers, the addition of new services, the development of a training program that enables better client service and the hiring of additional salespeople. We also have supplemented our organic growth through selective acquisitions.

We were formed as a Delaware limited liability company in January 2005 and converted our legal form to a Delaware corporation in June 2006. In October 2009, we completed an initial public offering of our shares of common stock. Our common stock is listed on the Nasdaq Global Market under the symbol "ECHO."

Our Clients

We procure transportation and provide logistics services for clients across a wide range of industries, such as manufacturing, construction, consumer products and retail. Our clients fall into two categories: Transactional and Enterprise.

Transactional Clients

We service Transactional clients on a shipment-by-shipment basis. Pricing is often quoted according to pre-existing price agreements maintained with our LTL carriers, or pricing procured in the spot market for TL carriers. It is the objective of our sales representatives to expand client relationships by increasing the shipper's percentage of total freight spend directed to Echo. Transactional clients benefit from their access to our advanced technology, service quality and competitive pricing.

Our revenue from Transactional clients has continued to increase annually, totaling \$526.8 million in 2012, \$616.6 million in 2013 and \$871.3 million in 2014. Revenue from Transactional clients as a percentage of total revenue was 70% in each of 2012 and 2013 and 74% in 2014.

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### Enterprise Clients

We typically enter into multi-year contracts with our Enterprise clients, generally with terms of one to three years, to satisfy some, or substantially all, of their transportation management needs. Each Enterprise client is assigned one or more dedicated account executives. In limited instances, an Enterprise client will request that its account executives work on-site at the client's location.

Dedicated account executives, together with account management and technology staff, form our Solutions and Integration team that initiates the on-boarding process for each new Enterprise client. This team reviews the client's existing business processes, develops a preliminary freight management plan and targets a percentage cost savings achievable for the client over the life of the contract. The team then develops an integration plan that links the client's back office processes to our proprietary technology platform.

The Enterprise relationship is initially predicated on a high level of personalized service, cost savings, and the improved efficiency, transparency and reporting achieved through reliance on our systems. Each client's dedicated account team seeks to become more knowledgeable about the client's supply chain operations through an ongoing series of quarterly business reviews. Through this process, additional opportunities for efficiency gains, operating improvements and cost savings are identified and recommended by account managers who generally have significant industry experience.

Enterprise contracts often are on an exclusive basis for a certain transportation mode or point of origin and may apply to one or many modes used by the client. These contractual exclusivity provisions help ensure, but do not guarantee, that we receive a significant portion of an Enterprise client's transportation spend. In our experience, compliance with such provisions varies from client to client and over time. We work with our Enterprise clients and expect them to maintain and improve compliance with any applicable exclusivity provisions.

We also provide small parcel consulting services to a limited number of our Enterprise clients. Under these arrangements, we review the client's small parcel shipping contracts and shipment data analyzing their volumes, distribution, rates and savings opportunities, prepare negotiation strategies and directly or indirectly participate in negotiations with carriers to improve the client's rates, charges, services and commitments.

Echo had 260 Enterprise client relationships at December 31, 2014. Our revenue from all Enterprise clients has continued to increase annually, totaling \$230.9 million in 2012, \$267.6 million in 2013 and \$302.1 million in 2014. Revenue from Enterprise clients as a percentage of total revenue was 30% in each of 2012 and 2013 and 26% in 2014.

### Our Proprietary Technology

Our proprietary technology platform ("Optimizer") is fundamental to our operating system and solutions offering. We run our business on a technology platform engineered and built from the ground up and believe its proprietary nature differentiates us from our competition in a number of critical ways. All parties to each transaction (clients, carriers and Echo employees) are unified on a single platform through access portals customized to each party's needs. We believe such integration yields critical synergies throughout our organization as well as with our clients and our carriers.

Equally important, internal integration ensures speed and accuracy of data capture, information exchange, shipment execution and back-end reporting capabilities.

We believe our web-based suite of applications connects clients with every function required to run an efficient transportation and logistics program. Transportation solutions developed for Enterprise clients often involve back-end systems integration, and both the solution and the specific integration requirements vary by client. Optimizer affords us the flexibility to support the supply chain needs of each client, regardless of specifications of the client's own system.

When communicating their transportation needs to us, clients have the flexibility to do so electronically through our web portal ("EchoTrak"), by other computer protocols or by phone. Our system generates price and carrier options for our clients based on either rates pre-negotiated with preferred carriers or historical price and capacity data stored in our system. If a client enters its own shipment, EchoTrak automatically alerts the appropriate account executive. Once the carrier is selected, the client's account executive uses our system to manage all aspects of the shipping process through the life cycle of the shipment. Our clients use Optimizer's "track and trace" tools to monitor shipment status through EchoTrak.



As our business has grown, our technology platform has continued to evolve in order to incorporate new multi-modal capabilities. We believe the agility of Optimizer is essential to keep pace with the changing needs of our business and offers us a critical advantage in the competitive transportation marketplace. Each mode involves different vendors exchanging unique order and price data that must be shared with multiple parties to any given transaction. Our technology engineers build mode-specific requirements into our system that support our ability to sell and service that mode on an enterprise-wide basis. In

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2014, 2013 and 2012, we spent approximately \$9.6 million, \$8.4 million and \$7.1 million, respectively, on the development of Optimizer and related technologies.

We rely primarily on a combination of copyright, trademark and trade secret laws, license agreements and other contractual provisions to protect our intellectual property rights and other proprietary rights. Some of our intellectual property rights relate to proprietary business process enhancements. It is our practice to enter into confidentiality and invention assignment agreements with all of our employees and independent contractors. Such agreements include a confidentiality undertaking by the employee or independent contractor; ensure that all new intellectual property developed in the course of our relationship with employees or independent contractors is assigned to us; and require the employee or independent contractor to cooperate with us to protect our intellectual property during and after his or her relationship with us.

### Our Transportation Solutions

We satisfy the market demand for freight transportation solutions by delivering a competitive value proposition that combines advanced technology, excellent client service, competitive pricing and highly customized transportation solutions to businesses seeking external transportation management expertise. As a non-asset-based provider of technology enabled transportation and logistics services, our solutions offerings take many forms, including multi-modal transportation brokerage and logistics services.

### Mode-Specific Offerings

For clients managing their freight on a transactional basis, Echo offers a wide array of shipping options from which to choose:

**Truckload.** We provide TL service across all TL segments, including dry van, temperature-controlled and flatbed trucks. Our LaneIQ technology uses our predictive pricing algorithms, industry relationships and historical lane-specific price and capacity data to quickly satisfy our clients' TL needs

**Less than Truckload.** We maintain relationships with, and utilize the vast majority of, LTL carriers in the market. Using our innovative RateIQ 2.0 technology, we obtain real-time price and transit time information for every LTL shipment we broker.

**Small Parcel.** We provide small parcel services for packages of all sizes. Using our EchoPak technology, we often are able to deliver cost saving opportunities to those clients with significant small parcel freight spend.

**Intermodal.** Intermodal transportation is the shipping of freight by multiple modes. We offer intermodal transportation services for our clients that utilize a combination of truck and rail. Our dedicated intermodal team can select the combination of truck and rail service that best satisfies each client's individual price and shipment criteria.

**Domestic Air and Expedited Services.** We provide domestic air and expedited shipment services for our clients whose delivery requirements cannot be satisfied by traditional over the road service.

**International.** For clients seeking the ease of a comprehensive international delivery option, we provide air and ocean transportation services. Dedicated account teams are able to consolidate shipments, coordinate routing, prearrange custom clearance and organize local pick-up and delivery, all in an effort to minimize the time and economic burdens associated with international shipping.

### Logistics Services Offering

Many clients prefer a comprehensive and customized freight management solution that maximizes system wide efficiencies as well as cost savings. In these instances, the shippers outsource their freight management needs to us. For these shippers, often part of our Enterprise group, we develop a plan involving a wide range of multi-modal freight brokerage services that often includes the redesign and re-engineering of distribution networks that connect a client to its suppliers and customers.

Transportation management and logistics services that we provide to such clients can include:

• Rate negotiation;

• Procurement of transportation, both contractually and in the spot market;

• Shipment execution and tracking;

• Carrier management, selection, reporting and compliance;



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Executive dashboard presentations and detailed shipment reports;  
Freight bill audit and payment;  
Claims processing and service refund management;  
Design and management of inbound client freight programs;  
Individually configured web portals and self-service data warehouses;  
Enterprise resource planning ("ERP") integration with transactional shipment data;  
Integration of shipping applications into client e-commerce sites; and  
Back end reports customized to the internal reporting needs of the business

### Our Employees

As of December 31, 2014, Echo had 1,734 employees, of which 1,122 were sales employees and agents.

Our sales representatives and agents are located in 33 offices throughout the United States. Sales representatives are employees focused on identifying and growing relationships with shippers (our clients) and carriers. Sales agents work independently or in station offices and tend to be experienced industry sales professionals managing their own client relationships. Both sales employees and sales agents are primarily responsible for managing and servicing the client relationships whose business they secure.

Candidates for employment are identified and screened through traditional means, such as career fairs, search firms, job postings, advertisements in industry publications and referrals. The majority of hires within our sales and service organization are recent college graduates. We invest extensively in their training and ongoing development to ensure their long term success as a part of our organization. Employees who join Echo as a result of an acquisition also participate in training tailored to their needs. We are confident that our employee training and development efforts contribute to longer tenure, increased productivity and a greater commitment to client satisfaction. We consider our employee relations to be good.

### Our Carrier Network

In 2014, we continued to enhance our vast carrier network of motor, rail and air freight transportation providers. We select our carriers on the basis of their capabilities, geographic coverage, quality of service and price. Carriers selected to join our network provide physical transportation services to our clients. In our capacity as intermediary, we track our clients' shipments from origin to destination. Because we do not own any transportation equipment and do not employ those directly involved in the delivery of our clients' shipments, the nature of our carrier relationships is essential to our success.

We believe we provide value to our carriers through our proprietary technology, which gives our carriers the flexibility to adjust pricing and freight by lane or season. Our carriers benefit by gaining access to our small and middle market clients and our carrier communication tools, which allow us to match our clients' freight with our carriers' excess capacity.

We maintain the quality of our carrier network by obtaining documentation from each carrier that ensures the carrier is properly licensed and insured and satisfies our safety requirements. Additionally, we continuously monitor data from our network on capacity, price trends, reliability, quality control standards and overall client service. We believe this quality control program helps to ensure shippers the highest quality service, regardless of the specific carrier selected for an individual shipment.

The carriers in our network range in size from large national trucking companies to owner-operators of single trucks. We are not dependent on any one carrier, and our largest carriers by TL, LTL, intermodal and small parcel accounted for approximately 1.0%, 5.4%, 2.1% and 2.2%, respectively, of our total transportation costs across all modes of transportation in 2014.

### Competition

We operate in the highly competitive and fragmented market for commercial freight transportation and third-party logistics services. Primary competitors to our services include other national non-asset based third-party logistics companies, as well as regional or niche freight brokerages, asset-based carriers offering brokerage and/or logistics services, wholesale intermodal transportation service providers and rail carriers. In addition, we may from time to time compete against carriers' internal sales



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forces or shippers' internal transportation departments. We also buy transportation services from, and sell to, some of the companies with which we compete.

We believe we compete for business on the basis of service, reliability and price. Some of our competitors may have more and larger clients, more resources, and possibly greater expertise in a single transportation mode. We compete successfully with these companies by delivering a multi-modal solution to our target market of small and middle market shippers using advanced technology combined with excellent client service, competitive pricing and highly customized transportation solutions. We have also found that our multi-modal capabilities and service quality make us a carrier of choice for many businesses outside of our niche market.

Our clients may choose not to outsource their transportation business to us in the future by performing formerly outsourced services for themselves, either in-house or through external partnerships or other arrangements. We believe our key advantage over in-house operations is our ability to simplify the transportation process for our clients by delivering volume-based pricing and service superior to what our clients can secure independent of Echo. In short, we provide companies the opportunity to focus on their core operations by providing our transportation buying power and expertise.

### Government Regulation

We are licensed by the U.S. Department of Transportation as a broker authorized to arrange for the transportation of general commodities by motor vehicle. Subject to applicable federal and state regulation, we arrange for the transportation of most types of freight to and from any point in the United States. We arrange transportation for United States domestic shipments by land that are mostly governed by federal regulation, such as the Federal Motor Carrier Safety Administration (the "FMCSA"), which is an agency of the Department of Transportation; some shipments are also regulated by various state agencies. The FMCSA has broad regulatory powers in areas such as safety and insurance relating to interstate motor-carrier and property broker operations. The transportation industry is subject to possible changes in the governing law (such as the possibility of more stringent environmental, safety regulations or limits on vehicle weight and size) that could impact the economics of the industry.

Our international operations are impacted by a wide variety of United States regulations from various government departments, such as the State Department, Department of Commerce and Treasury Department. Regulations deriving from these departments may cover matters such as the type of commodities that may be shipped and how certain commodities may be shipped. These departments also issue regulations regarding unfair international trade practices and limitations on entities with which we may engage in business.

We contract with indirect air carriers who have been approved by the Transportation Security Administration (the "TSA") and the Department of Transportation to arrange for transportation by air for our customers. The air freight industry is subject to regulatory and legislative changes that could affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and the costs of providing, services to clients.

Our ocean transportation business in the United States is subject to regulation by the Federal Maritime Commission (the "FMC"). We are not licensed as an ocean freight forwarder or a non-vessel operating common carrier operator. However, we do engage in business with entities who are licensed in ocean transportation so that we may arrange for transportation by sea for our customers.

Although Congress enacted legislation in 1994 that substantially preempts the authority of states to exercise economic regulation of motor-carriers and property brokers, some intrastate shipments for which we arrange transportation may be subject to additional licensing registration or permit requirements. Generally, we contractually require the carrier transporting the shipment to ensure compliance with these types of requirements. Although compliance with the regulations governing licenses in these areas has not had a material adverse effect on our operations or financial condition in the past, there can be no assurance that such regulations or changes will not adversely impact our operations in the future. Violation of these regulations could also subject us to fines as well as increased claims liability.

### Risk Management and Insurance

If a shipment is damaged during the delivery process, our customer may file a claim for the damaged shipment with us, which we will pursue directly with the carrier on our client's behalf. In the cases where we have agreed (either contractually or otherwise) to pay for claims for damage to freight while in transit, we may pay the claim to our client

while we independently pursue reimbursement from the carrier. If we are unable to recover all or any portion of the claim amount from our carrier, we may bear the financial loss of such claim. We mitigate this risk by using our quality program to carefully select carriers with adequate insurance, quality control procedures and safety ratings. We also take steps to ensure that the coverage we provide to our clients for damaged shipments is substantially similar to the coverage that our carriers provide to us. In addition, we carry

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our own insurance to protect us against client claims for damaged shipments in cases where a carrier's coverage may have lapsed.

We extend credit to certain clients as part of our business model. These clients are subject to an approval process prior to any extension of credit or increase in their current credit limit. Our finance department reviews each credit request and considers, among other factors, payment history, current billing status, recommendations by various rating agencies and capitalization. Clients that pass our credit review may receive a line of credit or an increase in their existing credit amount. We believe this review and approval process helps mitigate the risk of client defaults on extensions of credit and any related bad debt expense. Additionally, the Company maintains a credit insurance policy for certain accounts.

We require all motor-carriers we work with to carry at least \$1,000,000 in auto liability insurance and \$100,000 in cargo insurance. We also maintain a broad cargo liability insurance policy to protect us against cargo damages that may not be recovered from the responsible motor-carrier. We also carry various other liability insurance policies, including auto and general liability. Our collective insurance policies that relate to the transportation of goods have a cap of \$17,250,000.

### Our Website

Our website is <http://www.echo.com>. We make available, free of charge through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including exhibits and any amendments to those reports, filed with or furnished to the SEC. We make these reports available through our website as soon as reasonably practical after our electronic filing of such materials with, or the furnishing of them to, the SEC. The information contained on our website is not a part of this Annual Report on Form 10-K and shall not be deemed incorporated by reference into this Annual Report on Form 10-K or any other public filing made by us with the SEC.

### Item 1A. Risk Factors

Set forth below are certain risk factors that could harm our business, results of operations and financial condition. You should carefully read the following risk factors, together with the financial statements, related notes and other information contained in this Annual Report on Form 10-K. Our business, financial condition and operating results may suffer if any of the following risks are realized. If any of these risks or uncertainties occur, the trading price of our common stock could decline and you might lose all or part of your investment. This Annual Report on Form 10-K contains forward-looking statements that contain risks and uncertainties. Please refer to the discussion of "Forward-Looking Statements" on page three of this Annual Report on Form 10-K in connection with your consideration of the risk factors and other important factors that may affect future results described below.

#### Risks Related to Our Business

If our carriers do not meet our needs or expectations, or those of our clients, our business could suffer.

The success of our business depends to a large extent on our relationships with our clients and our reputation for providing high-quality technology enabled transportation and logistics services. We do not own or control the transportation assets that deliver our clients' freight, and we do not employ the people directly involved in delivering the freight. We rely on independent third parties to provide TL, LTL, small parcel, intermodal, domestic air, expedited and international carrier services and to report certain information to us, including information relating to delivery status and freight claims. This reliance could cause delays in providing our clients with important service data and in the financial reporting of certain events, including recognizing revenue and recording claims. If we are unable to secure sufficient transportation services to meet our commitments to our clients, our operating results could be adversely affected, and our clients could utilize the services of our competitors temporarily or permanently. Many of these risks are beyond our control and difficult to anticipate, including:

- changes in rates charged by transportation providers;
- supply shortages in the transportation industry, particularly among TL carriers;
- interruptions in service or stoppages in transportation as a result of labor disputes; and
- changes in regulations impacting transportation.



If any of the third parties we rely on do not meet our needs or expectations, or those of our clients, our professional reputation may be damaged and our business could be harmed.

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Higher carrier prices may result in decreased net revenue margin.

Carriers may charge higher prices if market conditions warrant, or to cover higher operating expenses. Our net revenues and income from operations may decrease if we are unable to correspondingly increase our pricing to our customers. Increased demand for TL services and pending changes in regulations may reduce available capacity and increase carrier pricing.

Competition could substantially impair our business and our operating results.

The transportation services industry is highly competitive. We compete against other national non-asset based third-party logistics companies, as well as regional or niche freight brokerages, asset-based carriers offering brokerage and/or logistics services, wholesale intermodal transportation service providers and rail carriers. In addition, we may from time to time compete against carriers' internal sales forces and shippers' transportation departments. At times, we buy transportation services from, and sell to, our competitors. Historically, competition has created a downward pressure on freight rates and continuation of this rate pressure may adversely affect our revenue and income from operations.

In addition, a software platform and database similar to Optimizer could be created over time by a competitor with sufficient financial resources and comparable experience in the transportation services industry. If our competitors are able to offer comparable services, we could lose clients, and our market share and profit margin could decline. Our competitors may also establish cooperative relationships to increase their ability to address client needs. Increased competition may lead to revenue reductions, reduced profit margins or a loss of market share, any one of which could harm our business.

We are reliant on technology to operate our business and our continued success is dependent on our systems continuing to provide the necessary support to service our customers effectively.

We rely heavily on Optimizer to track and store externally and internally generated market data, analyze the capabilities of our carrier network and recommend cost-effective carriers in the appropriate transportation mode. To keep pace with changing technologies and client 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 research and development costs. We may be unable to accurately determine the needs of our clients 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 revenue. Despite testing, we may be unable to detect defects in existing or new versions of our proprietary software, or errors may arise in our software. Any failure to identify and address such defects or errors could result in loss of revenue or market share, liability to clients or others, diversion of resources, injury to our reputation, and increased service and maintenance costs. Correction of such errors could prove to be impossible or very costly, and responding to resulting claims or liability could similarly involve substantial cost.

The success of our business depends upon our ability to deliver time-sensitive, up-to-date data and information. We rely on our Internet access, computer equipment, software applications, database storage facilities and other office equipment, which are mainly located in our Chicago headquarters. Our operations and those of our carriers and clients are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist attacks, wars, computer viruses, hacker attacks, equipment failure, physical break-ins and other events beyond our control, including disasters affecting Chicago. We attempt to mitigate these risks through various means, including system backup and security measures, but our precautions will not protect against all potential problems. We maintain fully redundant off-site backup facilities for our Internet access, computer equipment, software applications, database storage and network equipment, but these facilities could be subject to the same interruptions that could affect our headquarters. If we suffer a database or network facility outage, our business could experience disruption, and we could suffer reduced revenue and the loss of clients.

Our ability to deliver our services depends upon the capacity, reliability and security of services provided to us by our telecommunication service providers, our electronic delivery systems and the Internet. We have no control over the operation, quality or maintenance of these services or whether the vendors will improve their services or continue to provide services that are essential to our business. In addition, our telecommunication service providers may increase

their prices at which they provide services, which would increase our costs. If our telecommunication service providers were to cease to provide essential services or to significantly increase their prices, we could be required to find alternative vendors for these services. With a limited number of vendors, we could experience significant delays in obtaining new or replacement services, which could significantly harm our reputation and could cause us to lose clients and revenue. Moreover, our ability to deliver information using the Internet may be impaired because of infrastructure failures, service outages at third-party Internet providers or increased government regulation. If disruptions, failures or slowdowns of our electronic delivery systems or the Internet occur, our ability to effectively provide technology enabled transportation and supply chain management services and to serve our clients may be impaired.

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We have not registered any patents or trademarks on our proprietary technology to date, and our inability to protect our intellectual property rights may impair our competitive position.

Our failure to adequately protect our intellectual property and other proprietary rights could harm our competitive position. We rely on a combination of copyright, trademark and trade secret laws, as well as license agreements and other contractual provisions to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring all of our employees and independent contractors to enter into confidentiality and invention assignment agreements. To date, we have not pursued patent protection for our technology. We currently have six registered trademarks to protect our brands. We cannot be certain that the steps we have taken to protect our intellectual property rights will be adequate or will prevent third parties from infringing or misappropriating our rights, imitating or duplicating our technology, services or methodologies, including Optimizer, or using trademarks similar to ours. Should we need to resort to litigation to enforce our intellectual property rights or to determine the validity and scope of the rights of others, such litigation could be time-consuming and costly, and the result of any litigation is subject to uncertainty. In addition, Optimizer incorporates open source software components that are licensed to us under various public domain licenses. Although we believe that we have complied with our obligations under the various applicable licenses for the open source software that we use, there is little or no legal precedent governing the interpretation of many of the terms of these licenses, and the potential impact of such terms on our business is, therefore, difficult to predict.

We have extensive selling and implementation cycles to secure a new Enterprise contract, which require significant investments of resources.

We typically face extensive selling and implementation cycles to secure a new Enterprise contract, which requires significant investment of resources and time by both our clients and us. Before committing to use our services, potential Enterprise clients require us to spend time and resources educating them on the value of our services and assessing the feasibility of integrating our systems and processes with theirs. Our clients then evaluate our services before deciding whether to use them. Therefore, our Enterprise selling cycle, which can take up to six months, is subject to many risks and delays over which we have little control, including our clients' decisions to choose alternatives to our services (such as other providers or in-house resources) and the timing of our clients' budget cycles and approval processes.

Implementing our Enterprise services, which can take from one to six months, involves a significant commitment of resources over an extended period of time from both our clients and us. Depending on the scope and complexity of the processes being implemented, these time periods may be significantly longer. Our clients and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows, as we do not recognize significant revenue until after we have completed the implementation phase.

Our clients may terminate their relationships with us on short notice with limited or no penalties, and our clients are not obligated to spend a minimum amount with us.

Our Transactional clients, which accounted for 74% and 70% of our revenue in 2014 and 2013, respectively, use our services on a shipment-by-shipment basis rather than under long-term contracts. These clients have no obligation to continue using our services and may stop using them at any time without penalty or with only limited penalties. Our contracts with Enterprise clients typically have terms of one to three years and are subject to termination provisions negotiated on a contract-by-contract basis. If we fail to adhere to the terms of the contract or provide the negotiated level of cost savings, the client can terminate the relationship. Enterprise contracts accounting for 10.5% and 11.5% of our total 2014 revenue are scheduled to expire (subject to possible renewal) in 2015 and 2016, respectively.

The volume and type of services we provide each client may vary from year to year and could be reduced if the client were to change its outsourcing or shipping strategy. Our Enterprise clients generally are not obligated to spend any particular amount with us, although our Enterprise contracts are typically exclusive with respect to point of origin or one or more modes of transportation, meaning that the client is obligated to use us if it ships from the point of origin or uses those modes. These contractual exclusivity provisions help ensure, but do not guarantee, that we receive a significant portion of the amount that our Enterprise clients spend on transportation in the applicable mode or modes

or from the applicable point of origin. In our experience, compliance with such provisions varies from client to client and over time. Our clients' failure to comply with these exclusivity provisions may adversely affect our revenue. If a significant number of our Transactional or Enterprise clients elect to terminate or not renew their engagements with us, or if the shipping volume of a significant number of our clients decreases, our business, operating results and financial condition could suffer. If we are unable to renew our Enterprise contracts at favorable rates, our revenue may decline.

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We may not be able to identify suitable acquisition candidates, effectively integrate newly acquired businesses or achieve expected profitability from acquisitions.

Part of our growth strategy is to increase our revenue and the market regions that we serve through the acquisition of complementary businesses. There can be no assurance that suitable candidates for acquisitions can be identified or, if suitable candidates are identified, that acquisitions can be completed on acceptable terms, if at all. Even if suitable candidates are identified, any future acquisitions may entail a number of risks that could adversely affect our business and the market price of our common stock, including the integration of the acquired operations, diversion of management's attention, risks of entering new market regions in which we have limited experience, adverse short-term effects on our reported operating results, the potential loss of key employees of acquired businesses and risks associated with unanticipated liabilities.

We may use our common stock to pay for acquisitions. If the owners of potential acquisition candidates are not willing to receive our common stock in exchange for their businesses, our acquisition prospects could be limited. Future acquisitions could also result in accounting charges, potentially dilutive issuances of equity securities and increased debt and contingent liabilities, including liabilities related to unknown or undisclosed circumstances, any of which could have a material adverse effect on our business and the market price of our common stock.

Changes in fuel prices may change carrier prices, and volatility in fuel prices may make it more difficult to pass through this cost to our clients, which may impair our operating results.

Fuel prices can be volatile and difficult to predict. After reaching historically high levels in prior years, fuel prices have declined significantly in 2014. Our clients expect these savings to be passed along through lower prices. If carriers do not lower their prices to reflect the decrease in fuel costs, this could negatively impact our shipment volume, as our clients would seek other shipping options. This decrease in volume would negatively impact our gross profits and income from operations.

Despite the recent decline in fuel prices, there is a risk that fuel prices could rise significantly in future periods. In the event fuel prices rise, carriers can be expected to charge higher prices to cover higher operating expenses, and our gross profits and income from operations may decrease if we are unable to continue to pass through to our clients the full amount of these increased costs. Higher fuel costs could also cause material shifts in the percentage of our revenue by transportation mode, as our clients may elect to utilize alternative transportation modes. In addition, increased volatility in fuel prices may affect our gross profits and income from operations if we are not able to pass through to our clients any higher costs associated with such volatility. Any material shifts to transportation modes with respect to which we realize lower gross profit margins could impair our operating results.

A decrease in levels of excess capacity in the U.S. transportation services industry could have an adverse impact on our business.

We believe that, historically, the U.S. transportation services industry has experienced significant levels of excess capacity. Our business seeks to capitalize on imbalances between supply and demand in the transportation services industry by obtaining favorable pricing terms from carriers in our network through a competitive bid process. Reduced excess capacity in the transportation services industry generally, and in our carrier network specifically, could have an adverse impact on our ability to execute our business strategy and on our business results and growth prospects.

A decrease in the number of carriers participating in our network could adversely affect our business.

In 2014, we continued to enhance our sizable carrier network of motor, rail and air freight transportation providers.

We expect to continue to rely on these carriers to fulfill our shipping orders in the future. However, these carriers are not contractually required to continue to accept orders from us. If shipping capacity at a significant number of these carriers becomes unavailable, we will be required to use fewer carriers, which could significantly limit our ability to serve our clients on competitive terms. The transportation industry has also experienced consolidation among carriers in recent years and further consolidations could result in a decrease in the number of carriers, which may impact our ability to serve our clients on competitive terms. In addition, we rely on price bids provided by our carriers to populate our database. If the number of our carriers decreases significantly, we may not be able to obtain sufficient pricing information for Optimizer, which could affect our ability to obtain favorable pricing for our clients.

Our obligation to pay our carriers is not contingent upon receipt of payment from our clients, and we extend credit to certain clients as part of our business model.

In most cases, we take full risk of credit loss for the transportation services we procure from carriers. Our obligation to pay our carriers is not contingent upon receipt of payment from our clients. If any of our key clients fail to pay for our services, our profitability would be negatively impacted.

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We extend credit to certain clients in the ordinary course of business as part of our business model. By extending credit, we increase our exposure to uncollected receivables. A deterioration in the global or domestic economy could drive an increase in business failures, downsizing and delinquencies, which could cause an increase in our credit risk. If we fail to monitor and manage effectively any increased credit risk, our immediate and long-term liquidity may be adversely affected. In addition, if one of our key clients defaults in paying us, our profitability would be negatively impacted.

We are subject to claims arising from our transportation operations.

We use the services of thousands of transportation companies and their drivers in connection with our transportation operations. From time to time, these drivers are involved in accidents or goods carried by these drivers are lost or damaged and the carriers may not have adequate insurance coverage. Although these drivers are not our employees and all of these drivers are employees or independent contractors working for carriers or are owner-operators, from time to time, claims may be asserted against us for their actions, 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. If a shipment is lost or damaged during the delivery process, a client may file a claim for the damaged shipment with us and we will bear the risk of recovering the claim amount from the carrier. If we are unable to recover all or any portion of the claim amount from the carrier, and to the extent each claim exceeds the amount which may be recovered from our own insurance, we may bear the financial loss. A material increase in the frequency or severity of accidents, claims for lost or damaged goods, liability claims or workers' compensation claims, or unfavorable resolutions of claims, could materially adversely affect our operating results. Significant increases in insurance costs or the inability to purchase insurance as a result of these claims could also reduce our profitability.

Our industry is subject to seasonal sales fluctuations. If our business experiences seasonality, it could have an adverse effect on our operating results and financial condition.

Our industry is subject to some degree of seasonal sales fluctuations as shipments generally are lower during and after the winter holiday season because many of our retail clients ship goods and stock inventories prior to the winter holiday season. If we were to experience lower than expected revenue during any such period, whether from a general decline in economic conditions or other factors beyond our control, our expenses may not be offset, which would have a disproportionately adverse impact on our operating results and financial condition for that period.

Our ability to appropriately staff and retain sales representatives and agents is important to our business.

Our ability to expand our business will depend, in part, on our ability to attract additional sales representatives and agents with established client relationships. Competition for qualified sales representatives and agents can be intense, and we may be unable to hire such persons. Any difficulties we experience in expanding the number of our sales representatives and agents could have a negative impact on our ability to expand our client base, increase our revenue and continue our growth.

In addition, we must retain our current sales representatives and agents and properly incentivize them to obtain new clients and maintain existing client relationships. If a significant number of our sales representatives and agents leave us, our revenue could be negatively impacted. We have entered into agreements with our sales representatives and agents that contain non-compete provisions to mitigate this risk, but we may need to litigate to enforce our rights under these agreements, which could be time-consuming, expensive and ineffective. A significant increase in the turnover rate among our current sales representatives and agents could also increase our recruiting costs and lead to a decline in the demand for our services.

Our business depends on compliance with many government regulations.

International and domestic transportation of goods is subject to a number of governmental regulations, including licensing and financial security requirements, import and export regulations, security requirements, packaging regulations and notification requirements. These regulations and requirements are subject to change based on new legislation and regulatory initiatives, which could affect the economics of the transportation industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, transportation services.

We are licensed by the U.S. Department of Transportation as a broker authorized to arrange for the transportation of general commodities by motor vehicle. We must comply with certain insurance and surety bond requirements to act in this capacity.



We are currently providing customs broker services through contacts with licensed customs brokers. We have registered as an indirect air carrier with the TSA, and as a registered indirect air carrier we are required to comply with air security regulations imposed by the TSA. In addition, our ocean transportation business is subject to regulation by the FMC.

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We may experience an increase in operating costs, such as security costs, as a result of governmental regulations that have been and will be adopted in response to terrorist activities and potential terrorist activities. No assurances can be given that we will be able to pass these increased costs on to our clients in the form of rate increases or surcharges. From time to time, we arrange for the movement of hazardous materials at the request of our clients. As a result, we are subject to various environmental laws and regulations relating to the handling, transport and disposal of hazardous materials. If our clients or carriers are involved in a spill or other accident involving hazardous materials, or if we are found to be in violation of applicable laws or regulations, we could be subject to substantial fines or penalties, response or remediation costs and civil and criminal liability, any of which could have an adverse effect on our business and results of operations. In addition, current and future national laws and multilateral agreements relating to carbon emissions and the effects of global warming can be expected to have a significant impact on the transportation sector generally and the operations and profitability of some of our carriers in particular, which could adversely affect our business and results of operations.

Our growth and profitability may not continue, which may result in a decrease in our stock price.

There can be no assurance that our long-term growth objective will be achieved or that we will be able to effectively adapt our management, administrative and operational systems to respond to any future growth. Future changes in and expansion of our business, or changes in economic or political conditions, could adversely affect our operating margins. Slower or less profitable growth or losses could adversely affect our stock price.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

We may in the future be required to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. Additional equity financing may dilute the interests of our common stockholders, and debt financing, if available, may involve restrictive covenants.

Our insurance coverage and self-insurance reserves may not cover future claims.

We maintain various insurance policies for employee health, worker's compensation, general liability, property damage and auto liability. Since January 2014, we have been self-insured for our employee health plans.

For policies under which we are responsible for losses, we record a liability that represents our estimated cost of claims incurred and unpaid as of the balance sheet date. Our estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions, and is closely monitored and adjusted when warranted by changing circumstances. Our history of claims experience is short and our significant growth rate could affect the accuracy of estimates based on historical experience. If a greater amount of claims occurs compared to what we estimated, or if medical costs increase beyond what we expected, our accrued liabilities might not be sufficient and we may be required to record additional expense. Unanticipated changes may also produce materially different amounts of expense than reported under these programs, which could adversely impact our results of operations.

### Risks Related to Ownership of Our Common Stock

The trading price of our common stock has been and may continue to be volatile.

Since our initial public offering in October 2009 through February 25, 2015, the closing sale price of our common stock as reported by the Nasdaq Global Market has ranged from a low of \$10.04 on November 11, 2010 to a high of \$30.08 on December 26, 2014.

Certain factors may continue to cause the market price of our common stock to fluctuate, including:

• fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

• changes in market valuations of similar companies;

• success of competitors' products or services;

• changes in our capital structure, such as future issuances of debt or equity securities;



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• announcements by us, our competitors, our clients or our suppliers of significant products or services, contracts, acquisitions or strategic alliances;  
• regulatory developments in the United States or foreign countries;  
• litigation involving our company, our general industry or both;  
• additions or departures of key personnel;  
• investors' general perception of us; and  
• changes in general economic, industry and market conditions.

In addition, if the stock market experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and distracting to management. As a result, you could lose all or part of your investment. Our quarterly results are difficult to predict and may vary from quarter to quarter, which may result in our failure to meet the expectations of investors and increased volatility of our stock price.

The degree to which our clients continue to use of our services depends in part on the business activities of our clients and our ability to continue to meet their cost saving needs. A significant percentage of our revenue is subject to the discretion of our Transactional clients, who may stop using our services at any time. In addition, the transportation industry in which we operate is subject to some degree of seasonal sales fluctuation, as shipments generally are lower during and after the winter holiday season because many of our retail clients ship goods and stock inventories prior to the winter holiday season. Therefore, the number, size and profitability of shipments may vary significantly from quarter to quarter. As a result, our quarterly operating results are difficult to predict and may fall below the expectations of current or potential investors in some future quarters, which could lead to a significant decline in the market price of our stock and volatility in our stock price.

We do not currently intend to pay dividends, which may limit the return on your investment in us.

We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

If our board of directors authorizes the issuance of preferred stock, holders of our common stock could be diluted and harmed.

Our board of directors has the authority to issue up to 2,500,000 shares of preferred stock in one or more series and to establish the preferred stock's voting powers, preferences and other rights and qualifications without any further vote or action by the stockholders. The issuance of preferred stock could adversely affect the voting power and dividend liquidation rights of the holders of common stock. In addition, the issuance of preferred stock could have the effect of making it more difficult for a third-party to acquire, or discouraging a third-party from acquiring, a majority of our outstanding voting stock or otherwise adversely affect the market price of our common stock. It is possible that we may need, or find it advantageous, to raise capital through the sale of preferred stock in the future.

Item 1B. Unresolved staff comments

None.

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Item 2. Properties

Our principal executive offices are located in Chicago, Illinois. As of December 31, 2014, we conducted our business from the following properties, all of which are leased:

Corporate Headquarters  
Chicago, Illinois

Branch Locations

Atlanta, Georgia  
Bend, Oregon  
Boston, Massachusetts  
Buffalo, Minnesota  
Clackamas, Oregon  
Clearwater, Florida  
Coon Rapids, Minnesota  
Dallas, Texas  
Denver, Colorado  
Green Bay, Wisconsin  
Houston, Texas  
Jacksonville, Florida  
Lake Havasu, Arizona  
Long Beach, California  
Mendota Heights, Minnesota  
Nashville, Tennessee  
New Albany, Indiana  
Park City, Utah  
Port Sanilac, Michigan  
Rochester, New York  
San Francisco, California  
San Ramon, California  
Sandy, Utah  
Scottsdale, Arizona  
Taylor, Arkansas  
Troy, Michigan  
Vancouver, Washington  
Watsonville, California  
West Sacramento, California  
Yorba Linda, California

Data Center

Englewood, Colorado

We consider these properties to be in good condition and believe that our facilities are adequate for our operations and provide sufficient capacity to meet our anticipated requirements.



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Item 3. Legal Proceedings

In the normal course of business, we are subject to potential claims and disputes related to our business, including claims for freight lost or damaged in transit. Some of these matters may be covered by our insurance and risk management programs or may result in claims or adjustments with our carriers.

Effective July 1, 2012, we acquired the assets of Shipper Direct Logistics, Inc. ("Shipper Direct"), a truckload transportation brokerage located near Nashville, Tennessee. In August 2012, we discovered that the revenue and profitability of the acquired business, both prior and subsequent to the acquisition, were not as expected based on representations contained in the Asset Purchase Agreement. We believe the representations made in the Asset Purchase Agreement were fraudulent. The founders of Shipper Direct, who had become employees of the Company, were terminated as a result, and we requested that the sellers return the entire purchase price and that the contingent consideration provision of the Asset Purchase Agreement be voided. However, we received only \$1,779,554.

In November 2012, the founders filed a complaint with the U.S. Department of Labor alleging that their employment was wrongfully terminated in violation of the whistleblower provisions of Sarbanes-Oxley. On August 27, 2013, this action was terminated in our favor when the founders voluntarily withdrew their complaint.

In January 2013, we filed a lawsuit in the U.S. District Court for the Northern District of Illinois against Shipper Direct, the founders and others alleging, among other things, breach of contract and fraud. The lawsuit sought monetary damages of \$2,500,000. On May 28, 2013, we obtained a default judgment against the founders, which the founders subsequently attempted to vacate. On April 29, 2014, the court denied the founders' attempt to vacate the default judgment. The court ruled that one of the founders is liable for fraud, conspiracy, and breach of contract, and the other founder is liable for conspiracy. The court held a hearing on May 21, 2014 to hear evidence as to the amount of the Company's damages. On October 23, 2014, the Court awarded us \$3,013,831 in compensatory damages and \$2,044,420 in punitive damages. We have not received the awarded damages and have not recorded a gain related to this ruling as of December 31, 2014.

Management does not believe that the outcome of any of the legal proceedings to which we are a party will have a material adverse effect on our financial position or results of operations.

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

## Market Information

Our common stock is traded on the Nasdaq Global Market under the symbol "ECHO." The following table sets forth the high and low sales price for our common stock as reported by the Nasdaq Global Market for each of the periods listed.

2014	High	Low
First Quarter	\$21.97	\$15.54
Second Quarter	\$20.49	\$16.34
Third Quarter	\$27.20	\$18.92
Fourth Quarter	\$30.18	\$22.46
2013	High	Low
First Quarter	\$22.25	\$17.53
Second Quarter	\$22.24	\$16.99
Third Quarter	\$22.65	\$18.62
Fourth Quarter	\$21.99	\$18.11

## Holders

As of February 26, 2015, there were 8 holders of record of our common stock. The holders of our common stock are entitled to one vote per share.

## Dividends

We currently do not intend to pay any dividends on our common stock in the foreseeable future. We intend to retain all available funds and any future earnings for use in the operation and the expansion of our business. Any determination in the future to pay dividends will depend on our financial condition, capital requirements, operating results and other factors deemed relevant by our board of directors, including any contractual or statutory restrictions on our ability to pay dividends.

## Issuer Purchases of Equity Securities

Period	Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/14-10/31/14	10,248	\$23.85	—	—
11/1/14-11/30/14	—	—	—	—
12/1/14-12/31/14	—	—	—	—
Total	10,248	\$23.85	—	—

(1) Total number of shares delivered to us by employees to satisfy the mandatory tax withholding requirement upon vesting of restricted stock.

## Item 6. Selected Financial Data

The following table presents selected consolidated financial and other data as of and for the periods indicated. You should read the following information together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K.





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	Year ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Consolidated statements of operations data:					
Revenue	\$1,173,383	\$884,193	\$757,688	\$602,764	\$426,374
Transportation costs	965,165	728,544	614,563	485,547	345,209
Net revenue	208,218	155,649	143,125	117,217	81,165
Operating expenses (income):					
Commissions	57,678	39,481	40,392	35,872	24,871
Selling, general and administrative	106,974	82,298	70,702	54,327	40,607
Acquisition related impairment loss	—	—	2,491	—	—
Net change in contingent consideration due to seller	2,160	101	(130)	(246)	(4,700)
Depreciation and amortization	13,876	10,565	9,139	8,330	6,926
Total operating expenses	180,688	132,445	122,594	98,283	67,704
Income from operations	27,530	23,204	20,531	18,934	13,461
Other expense	(250)	(356)	(433)	(273)	(291)
Income before income taxes	27,280	22,848	20,098	18,661	13,170
Income tax expense	(10,492)	(8,645)	(7,777)	(6,613)	(4,765)
Net income	16,788	14,203	12,321	12,048	8,405
Net income applicable to common stockholders	\$16,788	\$14,203	\$12,321	\$12,048	\$8,405
Net income per share of common stock:					
Basic	\$0.73	\$0.62	\$0.55	\$0.54	\$0.38
Diluted	\$0.71	\$0.61	\$0.54	\$0.53	\$0.38
Shares used in per share calculations:					
Basic	23,044	22,861	22,357	22,132	21,863
Diluted	23,634	23,404	22,899	22,577	22,239

	Year ended December 31,				
	2014	2013	2012	2011	2010
Other data:					
Enterprise clients (1)	260	229	203	177	148
Transactional clients served in period (2)	33,540	28,213	27,984	29,155	22,617
Total clients (1)(2)	33,800	28,442	28,187	29,332	22,765
Total employees (3)	1,734	1,297	1,364	1,157	908

(1) Reflects number of Enterprise clients on the last day of the applicable period.

(2) Reflects number of Transactional clients served in the applicable period.

(3) Reflects number of employees and agents on the last day of the applicable period.

	As of December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	\$32,542	\$52,507	\$41,781	\$47,007	\$43,218
Working capital	58,421	87,674	71,670	70,111	63,591
Total assets	316,044	245,147	219,483	200,498	161,548
Total liabilities	134,170	85,917	78,498	81,176	56,570
Total stockholders' equity	\$181,874	\$159,230	\$140,985	\$119,322	\$104,978

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

Overview

We are a leading provider of technology-enabled transportation and supply chain management solutions. We utilize a proprietary technology platform to compile and analyze data from our multi-modal network of transportation providers to satisfy the transportation and logistics needs of our clients. This model enables us to quickly adapt to and offer efficient and cost-effective solutions for our clients' shipping needs. We focus primarily on arranging transportation by TL and LTL carriers. We also offer intermodal (which involves moving a shipment by rail and truck), small parcel, domestic air, expedited and international transportation services. Our core logistics services include rate negotiation, shipment execution and tracking, carrier management, routing compliance and performance management reporting.

We procure transportation and provide logistics services for clients across a wide range of industries, such as manufacturing, construction, consumer products and retail. Our clients fall into two categories, Enterprise and Transactional. We typically enter into multi-year contracts with our Enterprise clients, which are often on an exclusive basis for a specific transportation mode or point of origin. As part of our value proposition, we also provide core logistics services to these clients. We provide transportation and logistics services to our Transactional clients on a shipment-by-shipment basis, typically with individual, or spot market, pricing.

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## Results of Operations

The following table represents certain statement of income data:

	Year Ended December 31,			
	2014	2013	2012	
(in thousands, except per share data)				
Consolidated statements of income data:				
Revenue	\$1,173,383	\$884,193	\$757,688	
Transportation costs	965,165	728,544	614,563	
Net revenue	208,218	155,649	143,125	
Operating expenses:				
Commissions	57,678	39,481	40,392	
Selling, general and administrative	106,974	82,298	70,702	
Acquisition related impairment loss	—	—	2,491	
Net change in contingent consideration due to seller	2,160	101	(130	)
Depreciation and amortization	13,876	10,565	9,139	
Total operating expenses	180,688	132,445	122,594	
Income from operations	27,530	23,204	20,531	
Other expense	(250	) (356	) (433	)
Income before income taxes	27,280	22,848	20,098	
Income tax expense	(10,492	) (8,645	) (7,777	)
Net income	\$16,788	\$14,203	\$12,321	
Stated as a percentage of net revenue:				
Net revenue	100.0	% 100.0	% 100.0	%
Operating expenses:				
Commissions	27.7	% 25.4	% 28.2	%
Selling, general and administrative expenses	51.4	% 52.9	% 49.4	%
Acquisition related impairment loss	—	% —	% 1.7	%
Contingent consideration	1.0	% —	% (0.1	)%
Depreciation and amortization	6.7	% 6.8	% 6.4	%
Total operating expenses	86.8	% 85.1	% 85.6	%
Income from operations	13.2	% 14.9	% 14.3	%
Net income per share of common stock:				
Basic	\$0.73	\$0.62	\$0.55	
Diluted	\$0.71	\$0.61	\$0.54	
Shares used in per share calculations:				
Basic	23,044	22,861	22,357	
Diluted	23,634	23,404	22,899	

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### Revenue

We generate revenue through the sale of transportation and logistics services to our clients. Revenue is recognized when the client's product is delivered by a third-party carrier. Our revenue was \$1,173.4 million, \$884.2 million and \$757.7 million for the years ended December 31, 2014, 2013 and 2012, respectively, reflecting growth rates of 33% and 17% in 2014 and 2013, respectively, compared to the corresponding prior year.

Our revenue is generated from two different types of clients: Enterprise and Transactional. Our Enterprise accounts typically generate higher dollar amounts and volume than our Transactional relationships. We categorize a client as an Enterprise client if we have a contract with the client for the provision of services on a recurring basis. Our contracts with Enterprise clients typically have a multi-year term and are often exclusive for a certain transportation mode or point of origin. In several cases, we provide substantially all of a client's transportation and logistics requirements. We categorize all other clients as Transactional clients. We provide services to our Transactional clients on a shipment-by-shipment basis. As of December 31, 2014, we had 260 Enterprise clients, an increase of 31 clients as compared to December 31, 2013. For the years ended December 31, 2014, 2013 and 2012, Enterprise clients accounted for 26%, 30% and 30% of our revenue, respectively, and Transactional clients accounted for 74%, 70% and 70% of our revenue, respectively. We expect to continue to expand both our Enterprise and Transactional client base in the future, although the rate of growth for each type of client will vary depending on opportunities in the marketplace.

Revenue recognized per shipment will vary depending on the transportation mode, fuel prices, shipment weight, density and mileage of the product shipped. The primary modes of shipment that we transact in are TL, LTL, intermodal and small parcel. Other transportation modes include domestic air, expedited services and international. Typically, our revenue per shipment is lower for an LTL shipment than for a TL or intermodal shipment. Material shifts in the percentage of our revenue by transportation mode could have a significant impact on our revenue growth. In 2014, TL accounted for 53% of our revenue, LTL accounted for 37% of our revenue, intermodal accounted for 6% of our revenue, small parcel accounted for 3% of our revenue and other transportation accounted for 1% of our revenue.

The transportation industry has historically been subject to seasonal sales fluctuations as shipments generally are lower during and after the winter holiday season because many companies ship goods and stock inventories prior to the winter holiday season. While we experience some seasonality, differences in our revenue between periods have been driven primarily by growth in our client base.

### Transportation costs and net revenue

We act primarily as a service provider to add value and expertise in the procurement and execution of transportation and logistics services for our clients. Our pricing structure is primarily variable, although we have entered into a limited number of fixed fee arrangements that represent an insignificant portion of our revenue. Net revenue equals revenue minus transportation costs. Our transportation costs consist primarily of the direct cost of transportation paid to the carrier.

Net revenue is the primary indicator of our ability to add value to our clients and is considered by management to be an important measurement of our success in the marketplace. Our transportation costs are typically lower for an LTL shipment than for a TL shipment. Our net revenue margin is typically higher for an LTL shipment than for a TL shipment. Material shifts in the percentage of our revenue by transportation mode, including small parcel, could have

a significant impact on our net revenue. The discussion of our results of operations below focuses on changes in our net revenue and expenses as a percentage of net revenue. In 2014, 2013 and 2012, our net revenue was \$208.2 million, \$155.6 million and \$143.1 million, respectively, reflecting growth rates of 34% and 9% in 2014 and 2013, respectively, compared to the corresponding prior year.

#### Operating expenses

Our costs and expenses, excluding transportation costs, consist of commissions paid to our sales personnel, general and administrative expenses to run our business, changes related to contingent consideration and depreciation and amortization.

Commissions paid to our sales personnel, including employees and agents, are a significant component of our operating expenses. These commissions are based on the net revenue we collect from the clients for which the sales personnel have primary responsibility. In 2014, 2013 and 2012, commission expense was 27.7%, 25.4% and 28.2%, respectively, as a percentage of our net revenue. The increase in 2014 is primarily due to a shift in the composition of our net revenue by mode

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to include more TL shipments, which typically have higher commission percentages than other modes. The percentage of net revenue paid as commissions varies depending on the type of client, composition of the sales team and mode of transportation. Commission expense, stated as a percentage of net revenue, could increase or decrease in the future depending on the composition of our revenue growth and the relative impact of changes in sales teams and service offerings.

We accrue for commission expense when we recognize the related revenue. Some of our sales personnel receive a monthly advance to provide them with a more consistent income stream. Cash paid to our sales personnel in advance of commissions earned is recorded as a prepaid expense. As our sales personnel earn commissions, a portion of their commission payment is withheld and offset against their prepaid commission balance, if any. Prepaid commissions and accrued commissions are presented on a net basis on our balance sheet.

Our selling, general and administrative expenses, which exclude commission expense, changes to contingent consideration and the acquisition related impairment loss in 2012, consist of compensation costs for our sales, operations, information systems, finance and administrative support employees as well as occupancy costs, professional fees, acquisition-related deal costs and other general and administrative expenses. In 2014, 2013 and 2012, our selling, general and administrative expenses were \$107.0 million, \$82.3 million and \$70.7 million, respectively. In 2014, 2013 and 2012, selling, general and administrative expenses as a percentage of net revenue were 51.4%, 52.9% and 49.4%, respectively.

Our contingent consideration expense is the change in the fair value of our contingent consideration liability. The contingent consideration liability consists of the fair value of expected earn-out payments that will be payable to the sellers of certain acquired businesses upon the achievement of certain performance measures. The fair value of the contingent consideration liability is evaluated on a quarterly basis, and the change in fair value is included in selling, general and administrative expenses in our consolidated statement of income. In 2014, 2013 and 2012, we recorded a charge of \$2.2 million, a charge of \$0.1 million and a benefit of \$0.1 million, respectively, due to fair value adjustments to our contingent consideration liability.

Our acquisition related impairment loss in 2012 consisted of an impairment charge relating to the acquisition of the assets of Shipper Direct. For the year ended December 31, 2012, we recorded a loss of \$2.5 million relating to this impairment charge. There were no impairment charges in 2014 or 2013.

Our depreciation expense is primarily attributable to our depreciation of computer hardware and software, equipment, leasehold improvements, furniture and fixtures and internally developed software. In 2014, 2013 and 2012, depreciation expense was \$10.0 million, \$8.2 million and \$7.0 million, respectively.

Our amortization expense is attributable to our amortization of intangible assets acquired from business combinations, including customer relationships, trade names and non-compete agreements. In 2014, 2013 and 2012, amortization expense was \$3.9 million, \$2.4 million and \$2.1 million, respectively.

### Critical Accounting Policies

#### Revenue Recognition

In accordance with Accounting Standards Codification ("ASC") Topic 605-20 Revenue Recognition - Services, transportation revenue and related transportation costs are recognized when the shipment has been delivered by a third-party carrier. Fee for service revenue is recognized when the services have been rendered. At the time of delivery or rendering of services, as applicable, our obligation to fulfill a transaction is complete and collection of revenue is reasonably assured.

In accordance with ASC Topic 605-45 Revenue Recognition - Principal Agent Considerations, we generally recognize revenue on a gross basis, as opposed to a net basis similar to a commission arrangement, because we bear the risks and



benefits associated with revenue-generated activities by, among other things: (1) acting as a principal in the transaction; (2) establishing prices; (3) managing all aspects of the shipping process, including selection of the carrier; and (4) taking the risk of loss for collection, delivery, and returns. Certain transactions to provide specific services are recorded at the net amount charged to the client due to the following key factors: (a) we do not have latitude in establishing pricing; and (b) we have credit risk for only the net revenue earned from our client while the carrier has credit risk for the transportation costs. Net revenue equals revenue minus transportation costs.

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### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized customer obligations due under normal trade terms. Invoices require payment within 30 to 90 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices past due 90 days are considered delinquent. We generally do not charge interest on past due amounts.

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. The allowance is based on historical loss experience and any specific risks identified in client collection matters. Accounts receivable are charged off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible.

### Goodwill and Other Intangibles

Goodwill represents the excess of consideration transferred over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with ASC Topic 350 Intangibles - Goodwill and Other: Testing Goodwill for Impairment, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. In September 2011, the FASB approved ASU No. 2011-08, "Intangibles-Goodwill and Other: Testing Goodwill for Impairment." For goodwill impairment test purposes, the Company is considered one reporting unit. The fair value for the implied goodwill is determined based on the difference between the fair value of the reporting unit and the net fair values of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the carrying value, the difference is recognized as an impairment charge. Absent any special circumstances that could require an interim test, we have elected to test for goodwill impairment during the fourth quarter of each year. ASC Topic 350 also requires that intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment whenever impairment indicators exist in accordance with ASC Topic 360 Property, Plant and Equipment. Our intangible assets consist of customer relationships, noncompete agreements and trade names, which are being amortized on an accelerated basis over their estimated weighted-average useful lives of 10.1 years, 4.2 years and 4.4 years, respectively.

### Stock-Based Compensation

We account for stock-based compensation in accordance with ASC Topic 718 Compensation - Stock Compensation which requires all share-based payments to employees, including grants of stock options, to be recognized in the income statement based upon their fair values. Share-based employee compensation costs are recognized as a component of selling, general and administrative expense in the consolidated statements of income. For more information related to our stock-based compensation programs, see "Note 14—Stock-Based Compensation Plans" for a description of our accounting for stock-based compensation plans.

### Income Taxes

We account for income taxes in accordance with ASC Topic 740 Income Taxes, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

### Comparison of years ended December 31, 2014 and 2013

### Revenue

Our revenue increased by \$289.2 million, or 32.7%, to \$1,173.4 million in 2014 from \$884.2 million in 2013. The increase was attributable to the increase in the number of our clients, and the total number of shipments executed on behalf of, and services provided to, these clients. Included in this increase was \$119.9 million of additional revenue generated in 2014 from the acquisitions of Online Freight Services, Inc. ("OFS"), Comcar Logistics, LLC ("Comcar") and One Stop Logistics, Inc. ("One Stop").

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Our revenue from Enterprise clients increased by \$34.5 million, or 12.9%, to \$302.1 million in 2014 from \$267.6 million in 2013, resulting from increases in the number of Enterprise clients, shipments executed on behalf of these clients and transportation rates. In 2014, 26% of our revenue was generated from Enterprise clients, a decrease from 30% of revenue from Enterprise clients in 2013. This percentage decreased because of the significant growth in transactional revenue discussed below. As of December 31, 2014, we had 260 Enterprise clients under contract, an increase of 31 compared to 229 Enterprise clients under contract as of December 31, 2013.

Our revenue from Transactional clients increased by \$254.7 million, or 41.3%, to \$871.3 million in 2014 from \$616.6 million in 2013. Our percentage of revenue from Transactional clients was 74% in 2014, an increase from 70% in 2013. The increase in Transactional revenue was driven by increases in both the number and productivity of sales employees as well as by the acquisitions of OFS, Comcar and One Stop. Our revenue per Transactional client increased by approximately 18.9% from 2013 to 2014.

### Transportation costs

Our transportation costs increased by \$236.7 million, or 32.5%, to \$965.2 million in 2014 from \$728.5 million in 2013. The growth in the total number of shipments accounted for most of the increase in our transportation costs during this period. Included in this increase was \$98.0 million of additional transportation costs in 2014 from the three companies we acquired during the year. Our transportation costs as a percentage of revenue decreased to 82.3% in 2014 from 82.4% in 2013. This slight improvement in margin was due to capacity constraints in the TL market which allowed us to pass along additional costs to our clients.

### Net revenue

Net revenue increased by \$52.6 million, or 33.8%, to \$208.2 million in 2014 from \$155.6 million in 2013. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our net revenue during this period. Net revenue margins increased to 17.7% in 2014 from 17.6% in 2013. This slight improvement in margin was due to capacity constraints in the truckload market which allowed us to pass along additional costs to our clients.

### Operating expenses

Commission expense increased by \$18.2 million, or 46.1%, to \$57.7 million in 2014 from \$39.5 million in 2013. This increase was primarily attributable to the increase in net revenue. Commission expense as a percentage of net revenue increased to 27.7% in 2014 from 25.4% in 2013. This increase was due to the higher percentage of our net revenue derived from TL shipments in 2014 compared to 2013, as TL shipments typically have higher commission percentages than shipments in other modes.

Selling, general and administrative expenses increased by \$24.7 million, or 30.0%, to \$107.0 million in 2014 from \$82.3 million in 2013. The increase was primarily the result of hiring sales personnel to drive continued growth of our business, hiring operational personnel to support our growth in customers and shipment volume, and acquisition-related transaction costs for our 2014 acquisitions. Selling, general and administrative expenses as a percentage of net revenue decreased to 51.4% in 2014 from 52.9% in 2013. The decrease, as a percentage of net revenue, was primarily attributable to the increased productivity of our sales representatives and to the strong operating ratios of the three businesses we acquired in 2014.

### Contingent consideration

The contingent consideration expense recognized in our consolidated statement of income was \$2.2 million and \$0.1 million for the years ended December 31, 2014 and 2013, respectively. The increase in contingent consideration expense in 2014 was due to a greater probability of certain acquisitions achieving EBITDA earn-out targets due to strong financial performance of these acquired businesses in 2014. The primary drivers of the increase were Sharp Freight Systems ("Sharp") and OFS. The fair value of the contingent consideration obligation on the balance sheet reflects updated probabilities for each acquisition as of December 31, 2014.

#### Depreciation and amortization

Depreciation expense increased by \$1.8 million, or 21.4%, to \$10.0 million in 2014 from \$8.2 million in 2013. The increase in depreciation expense was primarily attributable to the depreciation of property and equipment related to the expansion of our Chicago headquarters. Amortization expense increased by \$1.5 million, or 65.5%, to \$3.9 million in 2014

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from \$2.4 million in 2013. The increase in amortization expense was attributable to the amortization of intangible assets related to our 2014 acquisitions.

### Income from operations

Income from operations increased by \$4.3 million, or 18.6%, to \$27.5 million in 2014 from \$23.2 million in 2013. The increase in income from operations is attributable to the increase in net revenue in excess of the increase in operating expenses.

### Other expense and income tax expense

Other expense decreased to \$0.2 million in 2014 from \$0.4 million in 2013.

Income tax expense increased to \$10.5 million in 2014 from \$8.6 million in 2013. Our effective tax rate increased from approximately 37.8% in 2013 to 38.5% in 2014. The increase in the effective tax rate is primarily due to the timing and reenactment of the research and development tax credit which occurred in early 2013 for both the 2012 and 2013 tax years.

### Net Income

Net income increased by \$2.6 million, or 18.2%, to \$16.8 million in 2014 from \$14.2 million in 2013 as a result of the items previously discussed.

## Comparison of years ended December 31, 2013 and 2012

### Revenue

Our revenue increased by \$126.5 million, or 16.7%, to \$884.2 million in 2013 from \$757.7 million in 2012. The increase was attributable to the increase in the number of our clients, and the total number of shipments executed on behalf of, and services provided to, these clients. Included in this increase was \$51.1 million of additional revenue generated in 2013 from the acquisitions of Sharp in October 2012 and Open Mile, Inc. ("Open Mile") in March 2013.

Our revenue from Enterprise clients increased by \$36.7 million, or 15.9%, to \$267.6 million in 2013 from \$230.9 million in 2012, resulting from increases in the number of Enterprise clients, shipments executed and transportation rates. Our percentage of revenue from Enterprise clients remained consistent at 30% in 2013 and 2012. As of December 31, 2013, we had 229 Enterprise clients under contract, an increase of 26 compared to 203 Enterprise clients under contract as of December 31, 2012.

Our revenue from Transactional clients increased by \$89.8 million, or 17.1%, to \$616.6 million in 2013 from \$526.8 million in 2012. Our percentage of revenue from Transactional clients remained consistent at 70% in 2013 and 2012. During 2012, we made investments in our training programs that exposed new hires to both operational and sales departments. As a result, we noted increased sales representative productivity, as tenured sales representatives could further penetrate accounts with increased operational support and experience in 2013. This was further evidenced by the fact that the number of shipments per Transactional client and number of shipments per sales representative increased in 2013. Our revenue per Transactional client increased by approximately 17.1% in 2013 as compared to 2012.

### Transportation costs

Our transportation costs increased by \$113.9 million, or 18.5%, to \$728.5 million in 2013 from \$614.6 million in 2012. The growth in the total number of shipments accounted for most of the increase in our transportation costs during this period. Our transportation costs as a percentage of revenue increased to 82.4% in 2013 from 81.1% in 2012 due to a decreased percentage of LTL shipments in the composition of our sales volume. Also included in this increase is the full year impact of transportation costs associated with the revenue generated from acquisitions completed during 2012 and the transportation costs associated with acquisitions completed in 2013.

#### Net revenue

Net revenue increased by \$12.5 million, or 8.8%, to \$155.6 million in 2013 from \$143.1 million in 2012. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our net revenue during

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this period. Net revenue margins decreased to 17.6% in 2013 from 18.9% in 2012. The decrease in net revenue margins was primarily the result of lower LTL revenue as a percentage of total revenue in 2013 when compared to 2012. TL and intermodal revenue, which usually earn less net revenue margin, increased significantly as a percentage of total revenue in 2013 when compared to 2012 due to the Sharp acquisition. The cost of obtaining TL capacity continued to increase in 2013 with new industry regulations, while demand has not been as strong as expected, resulting in prices increasing at a slower rate than costs. This led to a reduction of net revenue margins in the TL component of our business in 2013.

### Operating expenses

Commission expense decreased by \$0.9 million, or 2.3%, to \$39.5 million in 2013 from \$40.4 million in 2012. This decrease is due to a change in certain commission plans that became effective January 1, 2013 and the fluctuation of the composition of our net revenues originating from sales employees and agents.

Selling, general and administrative expenses increased by \$11.6 million, or 16.4%, to \$82.3 million in 2013 from \$70.7 million in 2012. The increase is primarily the result of hiring sales personnel who are expected to drive continued growth of our business and operational personnel to support our growth in customers and shipment volume. Selling, general and administrative expenses as a percentage of net revenue increased to 52.9% in 2013 from 49.4% in 2012. The increase is primarily attributable to increased compensation and facilities expenses associated with the growth of our business.

### Contingent consideration

The change in contingent consideration for the years ended December 31, 2013 and 2012 resulted in a net increase and a net decrease in our contingent consideration obligation, respectively. The resulting expense recognized in our consolidated statement of income from the change in contingent consideration obligation is \$0.1 million for the year ended December 31, 2013 compared to a benefit of \$0.1 million for the year ended December 31, 2012. For the year ended December 31, 2013, the expense is due to a \$0.1 million increase in the contingent liability, primarily related to the \$0.2 million increase in the 2011 acquisition of Advantage Transport, Inc. ("Advantage") contingent liability, \$0.7 million increase in the 2010 acquisition of DNA Freight Inc. ("DNA") contingent liability, offset by a decrease of \$0.8 million in the 2012 acquisition of Sharp contingent liability. These adjustments were the result of financial performance and changes to the forecasted financial performance of each acquired business. The fair value of the contingent consideration obligation for each acquisition reflects updated probabilities as of December 31, 2013. For the year ended December 31, 2012, the benefit primarily related to the increases in acquisition contingent liabilities totaling approximately \$0.8 million, offset by the decrease in the DNA and Purple Plum Logistics, LLC ("Purple Plum") contingent liabilities of \$0.9 million. These adjustments were the result of financial performance and changes to the forecasted financial performance of each acquisition. The fair value of the contingent consideration obligation for each acquisition reflects updated probabilities as of December 31, 2012.

### Acquisition related impairment loss

For the year ended December 31, 2012, we recorded an acquisition related impairment loss of \$2.5 million. This acquisition related impairment charge relates to the impairment of goodwill and intangible assets related to the acquisition of the assets of Shipper Direct in 2012. There were no acquisition related impairment losses in 2013.



#### Depreciation and amortization

Depreciation expense increased by \$1.2 million, or 17.8%, to \$8.2 million in 2013 from \$7.0 million in 2012. The increase in depreciation expense is primarily attributable to depreciation on purchases of computer hardware and software, equipment, furniture and fixtures, and depreciation on the capitalization of internally developed software. Amortization expense increased by \$0.3 million, or 10.6%, to \$2.4 million in 2013 from \$2.1 million in 2012. The increase in amortization expense is the result of additional amortization expense on intangible assets acquired in the fourth quarter of 2012.

#### Income from operations

Income from operations increased by \$2.7 million, or 13.0%, to \$23.2 million in 2013 from \$20.5 million in 2012. The increase in income from operations is attributable to the increase in net revenue in excess of the increase in operating expenses and the acquisition related impairment loss recorded in 2012.

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## Other expense and income tax expense

Other expense remained relatively consistent, decreasing to \$0.36 million in 2013 from \$0.43 million in 2012 .

Income tax expense increased to \$8.6 million in 2013 from \$7.8 million in 2012. Our effective tax rate decreased from approximately 38.7% in 2012 to 37.8% in 2013. The decrease in the effective tax rate is primarily due to the timing and reenactment of the research and development tax credit which occurred in early 2013 for both the 2012 and 2013 tax years.

## Net Income

Net income increased by \$1.9 million, or 15.3%, to \$14.2 million in 2013 from \$12.3 million in 2012 as a result of the items previously discussed.

## Quarterly Results of Operations

The following table represents our unaudited statement of operations data for our most recent eight fiscal quarters. You should read the following table in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The results of operations of any quarter are not necessarily indicative of the results that may be expected for any future period.

	Three Months Ended							
	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013
	(in thousands, except per share data) (unaudited)							
Revenue	\$300,027	\$320,566	\$305,120	\$247,670	\$221,322	\$234,843	\$224,051	\$203,977
Net revenue	54,240	58,430	53,338	42,210	36,955	40,583	39,660	38,451
Operating income	7,645	8,975	6,928	3,982	4,476	7,112	6,767	4,849
Net income	4,656	5,458	4,244	2,430	2,741	4,362	4,123	2,977
Net income per share of common stock:								
Basic	\$0.20	\$0.24	\$0.18	\$0.11	\$0.12	\$0.19	\$0.18	\$0.13
Diluted	\$0.20	\$0.23	\$0.18	\$0.10	\$0.12	\$0.19	\$0.18	\$0.13

## Liquidity and Capital Resources

As of December 31, 2014, we had \$32.5 million in cash and cash equivalents, \$58.4 million in working capital and \$35.5 million available under our credit facility, which expires on May 2, 2017.

## Cash provided by operating activities

For the year ended December 31, 2014, \$32.4 million of cash was provided by operating activities. This was an increase compared to \$24.8 million and \$22.8 million of cash provided by operating activities for the years ended December 31, 2013 and 2012, respectively. In 2014, we generated \$38.0 million in cash from net income, adjusted for non-cash operating items, an increase from \$28.8 million in 2013 and \$25.4 million in 2012. The cash generated from net income was offset by changes to working capital, primarily related to increases in accounts receivable, accounts payable and accrued expenses resulting from the growth of our business.

Cash used in investing activities

Cash used in investing activities was \$48.9 million, \$11.2 million and \$25.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. In 2014, we used \$33.8 million in cash, net of cash acquired, to acquire OFS, Comcar and

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One Stop. In 2013, we acquired Open Mile for \$2.0 million in cash, net of cash acquired. In 2012, we used approximately \$16.4 million in cash for three acquisitions.

Our capital expenditures were \$15.2 million, \$9.2 million and \$8.9 million for the years ended December 31, 2014, 2013 and 2012, respectively. Our capital expenditures are primarily the procurement of computer hardware and software from third party vendors, as well as the internal development of computer software.

### Cash used in financing activities

Cash used in financing activities was \$3.4 million, \$2.9 million and \$2.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. We made contingent consideration payments of \$4.9 million, \$3.6 million and \$5.2 million in 2014, 2013 and 2012, respectively. In each of these years, this cash used for contingent consideration payments was partially offset by cash provided by financing activities related to the exercise of employee stock options.

### Credit facility

On May 2, 2014, we entered into a credit agreement with PNC Bank for the establishment of a revolving credit facility. The \$50 million facility expires on May 2, 2017 and allows for the issuance of up to \$20 million in letters of credit. The issuance of letters of credit under the credit facility reduces available borrowings. Our ability to access the revolving credit facility is subject to our compliance with the terms and conditions of the credit agreement, including customary covenants that provide limitations and conditions on our ability to enter into certain transactions. The credit agreement also contains financial covenants that require us to maintain a maximum leverage ratio and a minimum interest coverage ratio. As of December 31, 2014, we were in compliance with all of these covenants.

We pay a commitment fee to PNC Bank to keep the revolving credit facility active. Borrowings bear interest at one of the following, plus an applicable margin: (1) the federal funds rate, (2) the prime rate, or (3) the LIBOR rate, based on our election for each tranche of borrowing. Both the commitment fee and any interest expense are recorded to the income statement as interest expense in the period incurred.

At December 31, 2014, there were no amounts drawn against the revolving credit facility and there were letters of credit outstanding in the aggregate amount of \$14.5 million. The amounts available under the revolving credit facility are reduced by the amounts outstanding under letters of credit, and thus availability under the revolving credit facility at December 31, 2014 was \$35.5 million.

This revolving credit agreement with PNC Bank replaced our \$10 million line of credit with JPMorgan Chase Bank. In 2013, we did not draw on the \$10 million line of credit. No borrowings were outstanding under the \$10 million line of credit as of December 31, 2013.

### Anticipated uses of cash

Our priority is to continue to grow our revenue and net revenue. We anticipate that our operating expenses and planned expenditures will constitute a material use of cash, and we expect to use available cash to expand our sales force, to enhance our technology, to acquire or make strategic investments in complementary businesses and for working capital and other general corporate purposes. We expect to use available cash to make approximately \$4.3 million of potential earn-out payments in 2015 due in connection with our acquisitions, as well as to satisfy the \$17.5 million current liability due to the former owners of One Stop. We also currently expect to use up to \$17.0 million for capital expenditures in 2015. We expect the use of cash for working capital purposes to be offset by the cash flow generated from operations during this period.

Historically, our average accounts receivable life cycle has been longer than our average accounts payable life cycle, meaning that we have used cash to pay carriers in advance of collecting from our clients. We elect to provide this benefit to foster strong relationships with our clients and carriers. As our business grows, we expect this use of cash to continue. The amount of cash we use will depend on the growth of our business.

#### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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## Contractual Obligations

As of December 31, 2014, we had the following contractual obligations (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease	\$20,704	\$4,388	\$8,057	\$5,774	\$2,485
Current liability to former owner of One Stop	17,508	17,508	—	—	—
Contingent consideration obligations (1)	5,779	4,467	937	375	—
Total	\$43,991	\$26,363	\$8,994	\$6,149	\$2,485

(1) This item represents the maximum undiscounted contingent consideration obligations that may become payable in each period. The actual payouts will be determined at the end of the applicable performance periods based on the acquired entities' achievement of the targets specified in the purchase agreements. See Footnote 5 for discussion of the fair-values of these contingent consideration obligations as of December 31, 2014.

## Recent Accounting Pronouncements

In November 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-17, Pushdown Accounting. This ASU provides companies with the option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This ASU is effective as of November 18, 2014, the date of its issuance. The adoption of this standard had no impact on our financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. The standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The guidance is effective for annual and interim periods beginning after December 15, 2016. Two methods of adoption are permitted - a full retrospective method that applies the new standard to each prior reporting period presented, or a modified retrospective approach that recognizes the cumulative effect of applying the new standard at the date of initial application. Early adoption is not permitted. We are evaluating the effects, if any, that the adoption of this guidance will have on our consolidated financial statements.

In July 2013, the FASB issued authoritative guidance under ASU 2013-11, which provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 requires entities to present an unrecognized tax benefit as a reduction of a deferred tax asset for a NOL or tax credit carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. This accounting standard update requires entities to assess whether to net the unrecognized tax benefit with a deferred tax asset as of the reporting date. The provisions of this new guidance were effective as of the beginning of our 2014 fiscal year and did not have a material impact on our financial statements.



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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Risk

We pass through fluctuations in fuel prices to our clients. As a result, we believe that there is no material risk exposure to fluctuations in fuel prices.

Interest Rate Risk

We have exposure to changes in interest rates on our line of credit. The interest rate on our line of credit fluctuates based on one of the following, plus an applicable margin: (1) the federal funds rate, (2) the prime rate, or (3) the LIBOR rate, based on the Company's election for each tranche of borrowing. Assuming the \$50.0 million line of credit was fully drawn, a 1.0% increase in the prime rate would increase our annual interest expense by \$500,000.

Our interest income is sensitive to changes in the general level of U.S. interest rates, in particular because all of our investments are in cash equivalents. Due to the short-term nature of our investments, we believe that there is no material risk exposure.

We do not use derivative financial instruments for speculative trading purposes.

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material impact on our operations in 2014, 2013 and 2012.



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Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA

ECHO GLOBAL LOGISTICS, INC. and Subsidiaries:

<u>Management's Assessment of Internal Control over Financial Reporting</u>	<u>33</u>
<u>Reports of Independent Registered Public Accounting Firm</u>	<u>34</u>
<u>Consolidated Balance Sheets</u>	<u>36</u>
<u>Consolidated Statements of Income</u>	<u>37</u>
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Management's Assessment of  
Internal Control Over Financial Reporting

The Company's management is responsible for the preparation, integrity and objectivity of the financial statements and other financial information presented in this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and reflect the effects of certain estimates and judgments made by management.

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on the Company's evaluation under the framework in Internal Control - Integrated Framework, management concluded that internal control over financial reporting was effective as of December 31, 2014. The effectiveness of internal control over financial reporting as of December 31, 2014 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

Echo Global Logistics, Inc.  
February 26, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of  
Echo Global Logistics, Inc. and Subsidiaries

We have audited Echo Global Logistics, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Echo Global Logistics, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on Echo Global Logistics, Inc. and Subsidiaries' internal control over financial reporting based on our audit.

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

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

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

In our opinion, Echo Global Logistics, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Echo Global Logistics, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of Echo Global Logistics, Inc. and Subsidiaries, and our report dated February 26, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 26, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of  
Echo Global Logistics, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Echo Global Logistics, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Echo Global Logistics, Inc. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Echo Global Logistics, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 26, 2015

Table of ContentsEcho Global Logistics, Inc. and Subsidiaries  
Consolidated Balance Sheets

	December 31, 2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$32,542,119	\$52,506,560
Accounts receivable, net of allowance for doubtful accounts of \$1,226,297 and \$1,792,012 at December 31, 2014 and 2013, respectively	145,198,419	109,662,529
Income taxes receivable	1,968,511	1,337,180
Prepaid expenses	2,849,011	2,510,791
Deferred income taxes	995,171	943,740
Other current assets	2,114,356	121,403
Total current assets	185,667,587	167,082,203
Property and equipment, net	21,276,709	15,536,831
Intangible assets:		
Goodwill	77,909,537	51,650,060
Intangible assets, net of accumulated amortization of \$15,046,556 and \$11,120,733 at December 31, 2014 and 2013, respectively	30,871,423	10,647,246
Other assets	318,938	230,253
Total assets	\$316,044,194	\$245,146,593
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$85,999,784	\$65,322,807
Due to seller-short term	4,243,088	5,763,779
Accrued expenses	19,496,000	8,322,117
Other current liabilities	17,507,500	—
Total current liabilities	127,246,372	79,408,703
Due to seller-long term	1,087,990	1,386,653
Other noncurrent liabilities	1,502,019	1,573,780
Deferred income taxes	4,333,635	3,547,426
Total liabilities	134,170,016	85,916,562
Stockholders' equity:		
Common stock, par value \$0.0001 per share, 100,000,000 shares authorized, 23,207,051 and 22,900,471 shares were issued and outstanding at December 31, 2014 and December 31, 2013, respectively	2,322	2,291
Additional paid-in capital	112,688,360	106,831,802
Retained earnings	69,183,496	52,395,938
Total stockholders' equity	181,874,178	159,230,031
Total liabilities and stockholders' equity	\$316,044,194	\$245,146,593
See accompanying notes.		

Table of ContentsEcho Global Logistics, Inc. and Subsidiaries  
Consolidated Statements of Income

	Year Ended December 31,		
	2014	2013	2012
REVENUE	\$1,173,382,760	\$884,193,289	\$757,687,585
COSTS AND EXPENSES:			
Transportation costs	965,165,330	728,543,525	614,562,437
Selling, general, and administrative expenses	166,812,670	121,881,168	113,454,258
Depreciation and amortization	13,876,079	10,564,657	9,139,232
INCOME FROM OPERATIONS	27,528,681	23,203,939	20,531,658
Interest income	—	—	2,850
Interest expense	(105,404 )	(1,357 )	(9,391 )
Other, net	(144,128 )	(354,480 )	(426,860 )
OTHER EXPENSE	(249,532 )	(355,837 )	(433,401 )
INCOME BEFORE PROVISION FOR INCOME TAXES	27,279,149	22,848,102	20,098,257
INCOME TAX EXPENSE	(10,491,591 )	(8,645,488 )	(7,776,843 )
NET INCOME	\$16,787,558	\$14,202,614	\$12,321,414
Basic net income per share	\$0.73	\$0.62	\$0.55
Diluted net income per share	\$0.71	\$0.61	\$0.54
See accompanying notes.			

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Echo Global Logistics, Inc. and Subsidiaries  
 Consolidated Statements of Stockholders' Equity  
 Years Ended December 31, 2014, 2013 and 2012

	Common Stock		Additional	Retained	
	Shares	Amount	Paid-In Capital	Earnings	Total
Balance at January 1, 2012	22,155,857	\$2,216	\$93,447,472	\$25,871,910	\$119,321,598
Share compensation expense	—	—	2,726,241	—	2,726,241
Exercise of stock options	287,855	29	1,717,476	—	1,717,505
Common stock issued for vesting of restricted stock	37,850	4	(4	) —	—
Common shares withheld and retired to satisfy employee tax withholding obligations upon vesting of restricted stock	(11,825	) (1	) (193,510	) —	(193,511
Common shares issued for acquisition	225,099	22	3,999,978	—	4,000,000
Tax benefit from exercise of stock options	—	—	1,092,163	—	1,092,163
Net income	—	—	—	12,321,414	12,321,414
Balance at December 31, 2012	22,694,836	2,270	102,789,816	38,193,324	140,985,410
Share compensation expense	—	—	3,338,678	—	3,338,678
Exercise of stock options	112,990	11	1,130,148	—	1,130,159
Common stock issued for vested restricted stock	136,436	14	(14	) —	—
Common shares withheld and retired to satisfy employee tax withholding obligations upon vesting of restricted stock	(43,791	) (4	) (832,044	) —	(832,048
Tax benefit from exercise of stock options	—	—	405,218	—	405,218
Net income	—	—	—	14,202,614	14,202,614
Balance at December 31, 2013	22,900,471	2,291	106,831,802	52,395,938	159,230,031
Share compensation expense	—	—	4,405,426	—	4,405,426
Exercise of stock options	173,727	17	1,077,731	—	1,077,748
Common stock issued for vested restricted stock	187,594	19	(19	) —	—
Common shares withheld and retired to satisfy employee tax withholding obligations upon vesting of restricted stock	(54,741	) (5	) (1,116,853	) —	(1,116,858
Tax benefit from exercise of stock options	—	—	1,490,273	—	1,490,273
Net income	—	—	—	16,787,558	16,787,558
Balance at December 31, 2014	23,207,051	\$2,322	\$112,688,360	\$69,183,496	\$181,874,178

See accompanying notes.



Table of ContentsEcho Global Logistics, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2014	2013	2012
Operating activities			
Net income	\$16,787,558	\$14,202,614	\$12,321,414
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	729,600	632,684	(1,198,674 )
Noncash stock compensation expense	4,405,426	3,338,678	2,726,241
Change in contingent consideration due to seller	2,160,316	101,181	(129,944 )
Acquisition related impairment loss	—	—	2,490,612
Depreciation and amortization	13,876,079	10,564,657	9,139,232
Change in assets, net of acquisitions:			
Accounts receivable	(24,018,807 )	(10,955,387 )	(1,550,525 )
Income taxes receivable	(631,331 )	(633,590 )	(67,228 )
Prepaid expenses and other assets	(2,401,464 )	(53,204 )	2,310,613
Change in liabilities, net of acquisitions:			
Accounts payable	11,460,893	4,713,829	(4,763,843 )
Accrued expenses and other	9,994,275	2,891,656	1,510,069
Net cash provided by operating activities	32,362,545	24,803,118	22,787,967
Investing activities			
Purchases of property and equipment	(15,155,168 )	(9,238,806 )	(8,860,144 )
Payments for acquisitions, net of cash acquired	(33,768,519 )	(1,958,236 )	(16,425,146 )
Net cash used in investing activities	(48,923,687 )	(11,197,042 )	(25,285,290 )
Financing activities			
Principal payments on capital lease obligations	—	(24,086 )	(175,159 )
Tax benefit of stock options exercised	1,495,481	460,475	1,092,163
Payment of contingent consideration	(4,859,670 )	(3,615,000 )	(5,170,000 )
Issuance of shares, net of issuance costs	1,077,748	1,130,159	1,717,505
Employee tax withholdings related to net share settlements of equity-based awards	(1,116,858 )	(832,048 )	(193,511 )
Proceeds from borrowing	5,000,000	—	—
Repayments of amounts borrowed	(5,000,000 )	—	—
Net cash used in financing activities	(3,403,299 )	(2,880,500 )	(2,729,002 )
(Decrease) increase in cash and cash equivalents	(19,964,441 )	10,725,576	(5,226,325 )
Cash and cash equivalents, beginning of period	52,506,560	41,780,984	47,007,309
Cash and cash equivalents, end of period	\$32,542,119	\$52,506,560	\$41,780,984
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	\$105,404	\$1,357	\$9,391
Cash paid for income taxes	8,901,068	8,191,472	8,038,565
Non-cash investing activity			
Issuance of common stock in connection with acquisitions	—	—	4,000,000
Non-cash financing activity			
Due to seller	880,000	—	3,111,914
Current liability to former owner of One Stop	17,507,500	—	—
See accompanying notes.			



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Echo Global Logistics, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2014, 2013 and 2012

1. Description of Business

Echo Global Logistics, Inc. (the Company) is a leading provider of technology-enabled transportation and supply chain management services, delivered on a proprietary technology platform serving the transportation and logistics needs of its clients. The Company provides services across all major transportation modes, including truckload ("TL"), less-than-truckload ("LTL"), small parcel, intermodal, domestic air, and international. The Company's core logistics services include rate negotiation, shipment execution and tracking, carrier selection and management, routing compliance, freight bill audit, and payment and performance management and reporting functions, including executive dashboard tools.

The Company's common stock is listed on the Nasdaq Global Market under the symbol "ECHO."

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Echo Global Logistics, Inc. and its subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated in the consolidation. The consolidated statements of income include the results of entities or assets acquired from the effective date of the acquisition for accounting purposes.

Preparation of Financial Statements and Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results can differ from those estimates.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, which consist of cash and cash equivalents, accounts receivable, accounts payable and capital lease obligations, approximate their fair values due to their short term nature. The fair value of the due to seller liabilities are determined based on the likelihood of contingent earn-out payments.

Revenue Recognition

In accordance with ASC Topic 605-20 Revenue Recognition - Services, transportation revenue and related transportation costs are recognized when the shipment has been delivered by a third-party carrier. Fee for service revenue is recognized when the services have been rendered. At the time of delivery or rendering of services, as applicable, the Company's obligation to fulfill a transaction is complete and collection of revenue is reasonably assured.

In accordance with ASC Topic 605-45 Revenue Recognition - Principal Agent Considerations, the Company generally recognizes revenue on a gross basis, as opposed to a net basis similar to a commission arrangement, because it bears the risks and benefits associated with revenue-generated activities by, among other things: (1) acting as a principal in the transaction; (2) establishing prices; (3) managing all aspects of the shipping process; and (4) taking the risk of loss for collection, delivery, and returns. Certain transactions to provide specific services are recorded at the net amount charged to the client due to the following key factors: (a) the Company does not have latitude in establishing pricing; and (b) the Company has credit risk for only the net revenue earned from its client while the carrier has credit risk for the transportation costs. Net revenue equals revenue minus transportation costs.

Rebates

The Company has entered into agreements with certain clients to rebate to them a portion of the costs that they pay to the Company for transportation services, based on certain conditions and/or pricing schedules that are specific to each individual agreement, but that are typically constructed as a percentage of the costs that its clients incur.

Rebates are recognized at the same time that the related transportation revenue is recognized and are recorded as a reduction of transportation revenue.

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Echo Global Logistics, Inc. and Subsidiaries  
 Notes to Consolidated Financial Statements  
 Years Ended December 31, 2014, 2013 and 2012

Segment Reporting

The Company applies the provisions of ASC Topic 280 Segment Reporting, which establishes accounting standards for segment reporting.

The Company's chief operating decision-maker assesses performance and makes resource allocation decisions for the business as a single operating segment, transportation and logistics service. Therefore, the Company has only one reportable segment in accordance with this guidance. The Company has provided all enterprise wide disclosures required by this guidance.

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized customer obligations due under normal trade terms. Invoices require payment within 30 to 90 days from the invoice date. Accounts receivable are stated at the amount billed to the customer.

Customer account balances with invoices 90 days past due are considered delinquent. The Company generally does not charge interest on past due amounts.

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. The allowance is based on historical loss experience and any specific risks identified in client collection matters. Accounts receivable are charged off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible. The Company recorded \$1,937,227, \$1,229,134 and \$2,114,360 of bad debt expense for the years ended December 31, 2014, 2013 and 2012, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives, by asset class, are as follows:

Computer equipment and software	3 years
Office equipment	5 years
Furniture and fixtures	7 years

Internal Use Software

The Company has adopted the provisions of ASC Topic 350-40 Internal Use Software. Accordingly, certain costs incurred in the planning and evaluation stage of internal use computer software are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized internal use software costs are amortized over the expected economic life of three years using the straight-line method. The total amortization expense for the years ended December 31, 2014, 2013 and 2012 was \$7,572,039, \$6,394,788 and \$5,188,637, respectively. At December 31, 2014 and 2013, the net book value of internal use software costs was \$13,687,293 and \$11,654,812, respectively.

Goodwill and Other Intangibles

Goodwill represents the excess of consideration transferred over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with ASC Topic 350 Intangibles - Goodwill and Other, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. In September 2011, the FASB approved ASU (Accounting Standard Update) No. 2011-08, "Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment." This ASU permits an entity to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. After assessing qualitative factors, if an entity determines that it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, no further testing is necessary. For goodwill impairment test purposes, the Company is considered one reporting unit. The fair value for the implied goodwill is determined based on the difference between the fair value of the reporting unit and the net fair values of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the

goodwill is less than the book value, the difference is recognized as an impairment

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Echo Global Logistics, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2014, 2013 and 2012

charge. Absent any special circumstances that could require an interim test, the Company has elected to test for goodwill impairment during the fourth quarter of each year. Topic 350 also requires that intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment whenever impairment indicators exist in accordance with ASC Topic 360 Property, Plant and Equipment. The Company's intangible assets consist of customer relationships, non-compete agreements, and trade names, which are being amortized on an accelerated basis over their estimated weighted-average useful lives of 10.1 years, 4.2 years and 4.4 years, respectively. See Note 7.

**Income Taxes**

The Company accounts for income taxes in accordance with ASC Topic 740 Income Taxes, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

**Stock-Based Compensation**

The Company accounts for stock-based compensation in accordance with ASC Topic 718 Compensation - Stock Compensation which requires all share-based payments to employees, including grants of stock options, to be recognized in the income statement based upon their fair values. Share-based employee compensation costs are recognized as a component of selling, general and administrative expense in the consolidated statements of income. See Note 14—Stock-Based Compensation Plans for a description of the Company's accounting for stock-based compensation plans.

**Self-Insurance Liability**

Since January 2014, the Company has been self-insured for its employee health plans and records a liability that represents its estimated cost of claims incurred and unpaid as of the balance sheet date. The Company's estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions, and is closely monitored and adjusted when warranted by changing circumstances. The total estimated self-insurance liability as of December 31, 2014 was \$725,743.

**3. New Accounting Pronouncements**

In November 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-17, Pushdown Accounting. This ASU provides companies with the option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The election to apply pushdown accounting can be made either in the period in which the change of control occurred, or in a subsequent period. This ASU is effective as of November 18, 2014, the date of its issuance. The adoption of this standard had no impact on the Company's financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern. The standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. The standard

is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles used to recognize revenue for all entities. The guidance is effective for annual and interim periods beginning after December 15, 2016. Two methods of adoption are permitted - a full retrospective method that applies the new standard to each prior reporting period presented, or a modified retrospective approach that recognizes the cumulative effect of applying the new



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Echo Global Logistics, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2014, 2013 and 2012

standard at the date of initial application. Early adoption is not permitted. The Company is evaluating the effects, if any, that the adoption of this guidance will have on the Company's consolidated financial statements.

4. Acquisitions

2013 Acquisitions

Open Mile, Inc.

Effective March 11, 2013, the Company acquired Open Mile, Inc. ("Open Mile"), a truckload transportation brokerage with offices in Boston, Massachusetts, and the results of Open Mile have been included in the consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of Open Mile for \$2,025,000 in cash. There is no contingent consideration associated with the purchase of Open Mile. As a result of the acquisition, the Company recorded \$579,972 of goodwill, which is approximately the amount of goodwill deductible for U.S. income tax purposes.

2014 Acquisitions

Online Freight Services, Inc.

In January 2014, the Company acquired Online Freight Services, Inc. ("OFS"), a non-asset based truckload transportation brokerage based in Mendota Heights, Minnesota, and the results of OFS have been included in the consolidated financial statements since the acquisition date. The Company agreed to purchase the assets and assume certain liabilities of OFS for \$9,460,742 in cash payable at closing and an additional \$1,500,000 in cash consideration that may become payable upon achievement of certain performance measures on or prior to December 31, 2017. As a result of the purchase accounting for the acquisition, the Company recorded \$4,309,146 of goodwill, of which \$880,000 is related to contingent consideration, and \$4,850,000 of intangible assets, which primarily consists of customer relationships and trade names. The amount of goodwill deductible for U.S. income tax purposes is \$3,429,146, which excludes the opening balance sheet fair-value of the contingent consideration obligation. For the year ended December 31, 2014, the Company recorded an increase of \$480,000 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjusting the forecasted financial performance of OFS to take into account 2014 performance. These fair-market value adjustments resulted in a liability due to seller of \$1,360,000 at December 31, 2014.

The amounts of revenue and net income of OFS included in the Company's consolidated statement of income from the acquisition date for the year ended December 31, 2014 are \$64.1 million and \$0.8 million, respectively.

Comcar Logistics, LLC

In February 2014, the Company acquired Comcar Logistics, LLC ("Comcar"), a non-asset based truckload brokerage with offices in Jacksonville, Florida and Denver, Colorado, and the results of Comcar have been included in the consolidated financial statements since the acquisition date. The Company agreed to purchase the assets and assume certain liabilities of Comcar for \$4,900,930 in cash. There is no contingent consideration associated with the purchase of Comcar. As a result of the purchase accounting for the acquisition, the Company recorded \$2,342,265 of goodwill, which is approximately the amount of goodwill deductible for U.S. income tax purposes, and \$2,500,000 of intangible assets, which primarily consists of customer relationships.

The amounts of revenue and net income of Comcar included in the Company's consolidated statement of income from the acquisition date for the period ended December 31, 2014 are \$16.9 million and \$0.1 million, respectively.

One Stop Logistics, Inc.

In May 2014, the Company acquired One Stop Logistics, Inc. ("One Stop"), a non-asset based brokerage headquartered in Watsonville, California. One Stop provides both truckload and less-than-truckload solutions, and has offices throughout the country. The Company agreed to purchase the assets and assume certain liabilities of One Stop for total consideration of \$37,490,924 in cash, which includes a working capital payment made during the third quarter of 2014. This \$37,490,924 will be paid in four separate payments, as follows:

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Fair value of consideration transferred:

Cash Payment made at Closing	\$ 19,262,980
Working Capital Payment made in September 2014	720,444
Cash Payment due in January 2015	13,782,500
Cash Payment due in May 2015	3,725,000
Total	\$ 37,490,924

The payments due in January 2015 and May 2015 were recorded as other current liabilities on the opening balance sheet. There is no contingent consideration associated with the purchase of One Stop. The acquisition provided the Company with strategic growth and added an assembled workforce with strong sales talent and an established network of shippers and carriers.

The following table summarizes the allocation of the total consideration transferred for the acquisition of One Stop:

Cash	\$—
Accounts receivable	5,369,508
Property and equipment	17,137
Other Assets	12,446
Goodwill	19,608,066
Intangible Assets	16,800,000
Total Assets Acquired	\$ 41,807,157
Accounts Payable	\$ 4,178,399
Accrued Expenses	137,834
Total Liabilities Assumed	\$ 4,316,233
Total Consideration Transferred	\$ 37,490,924

Goodwill of \$19,608,066, which is approximately the amount of goodwill deductible for U.S. income tax purposes, represents the premium the Company paid over the fair value of the net tangible and identifiable intangible assets it acquired. The Company paid this premium because One Stop, among other things, expanded the Company's presence in the TL and LTL markets, especially in California, and added an experienced sales force with established customer relationships. The intangible assets are primarily customer relationships, which have a useful life of twelve years. This allocation is subject to change as the Company finalizes purchase accounting. The Company is in the process of finalizing the valuation of certain acquired accounts receivable, accounts payable and intangible assets.

The amounts of revenue and net income of One Stop included in the Company's consolidated statement of income from the acquisition date for the period ended December 31, 2014 are \$38.9 million and \$1.2 million, respectively.

#### Materiality of Acquisitions

The Company evaluates its acquisitions each year to determine if they are material either individually or in the aggregate. In 2014, we concluded that the acquisitions of OFS, Comcar and One Stop were material in the aggregate. In 2013, we concluded that the acquisition of Open Mile was not material. In 2012, we concluded that the acquisitions of Sharp Freight Systems ("Sharp") and Purple Plum Logistics, LLC ("Purple Plum") were material in the aggregate.

The following unaudited pro forma information presents a summary of the Company's consolidated statements of income for the years ended December 31, 2014, 2013 and 2012 as if the Company had acquired OFS, Comcar and One Stop as of January 1, 2013 and as if the Company had acquired Sharp and Purple Plum as of January 1, 2012. This unaudited pro forma supplemental information includes the historical financial results of the Company and the

acquired businesses, adjusted to record intangible asset amortization as if the acquisitions had occurred on January 1 of the respective years discussed above, and adjusted to apply the Company's effective tax rate to the historical results of the acquired businesses. The unaudited pro

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forma results do not reflect any operating efficiencies or potential cost savings which may result from the consolidation of the operations of the Company and the acquired businesses. These pro forma results are not necessarily indicative either of what would have occurred if the acquisitions had been in effect for the period presented or future results.

	Year Ended December 31,		
	2014	2013	2012
Revenue	\$1,196,808,807	\$998,640,709	\$819,538,516
Income from operations	28,833,119	26,972,566	24,348,949
Net income	17,589,788	16,546,700	15,734,327

## 2015 Acquisitions

In February 2015, we acquired Xpress Solutions, Inc. ("Xpress"), a non-asset based truckload and less-than-truckload transportation brokerage based in Frankfort, Illinois. We agreed to purchase the assets and assume certain liabilities of Xpress for \$6,170,761 in cash payable at closing and an additional \$3,000,000 in contingent consideration that may become payable upon the achievement of certain performance measures on or prior to January 31, 2019. The preliminary purchase accounting for this acquisition has not been completed.

## 5. Fair Value Measurement

The Company applies ASC Topic 820 Fair Value Measurements and Disclosures for its financial assets and financial liabilities. The guidance requires disclosures about assets and liabilities measured at fair value. The Company's financial liabilities primarily relate to contingent earn-out payments of \$5,331,078 as of December 31, 2014. The potential earnout payments and performance are defined in the individual purchase agreement for each acquisition. EBITDA is the performance target defined and measured to determine the earnout payment due, if any, after each defined measurement period.

ASC Topic 820 includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on observable or unobservable inputs to valuation techniques that are used to measure fair value. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.

Level 3: Inputs that are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The significant inputs used to derive the fair value of the amounts due to seller include financial forecasts of future operating results, the probability of reaching the forecast and an appropriate discount rate for each contingent liability. Probabilities are estimated by reviewing financial forecasts and assessing the likelihood of reaching the required performance measures based on factors specific to each acquisition as well as the Company's historical experience with similar arrangements. If an acquisition reaches the required performance measure, the estimated probability would be increased to 100% and would still be classified as a contingent liability on the balance sheet. If the measure is not reached, the probability would be reduced to reflect the amount earned, if any, depending on the terms of the agreement. Discount rates used in determining the fair value of the contingent consideration ranged between 3% and 18%. Historical results of the respective acquisitions serve as the basis for the financial forecasts used in the valuation.

Quantitative factors are also considered in these forecasts, including acquisition synergies, growth and sales potential and potential operational efficiencies gained. Changes to the significant inputs used in determining the fair value of the contingent consideration could result in a change in the fair value of the contingent consideration. However, the correlation and inverse

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relationship between higher projected financial results to the discount rate applied and probability of meeting the financial targets mitigates the effect of any changes to the unobservable inputs.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis and the basis of measurement as of December 31, 2014 and 2013:

	Fair Value Measurements as of December 31, 2014			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Contingent consideration obligation	\$(5,331,078 )	\$—	\$—	\$(5,331,078 )

  

	Fair Value Measurements as of December 31, 2013			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Contingent consideration obligation	\$(7,150,432 )	\$—	\$—	\$(7,150,432 )

The following table provides a reconciliation of the beginning and ending balances for the liabilities measured at fair value using significant unobservable inputs (Level 3):

Balance at January 1, 2013	Due to Seller	\$(10,664,251 )
Change in fair value		(101,181 )
Payment of contingent consideration		3,615,000
Balance at December 31, 2013		(7,150,432 )
Increase related to acquisition of OFS		(880,000 )
Change in fair value		(2,160,316 )
Payment of contingent consideration		4,859,670
Balance at December 31, 2014		\$(5,331,078 )

For the years ended December 31, 2014 and 2013, the Company recorded adjustments to each of the remaining contingent consideration obligations related to its acquisitions. The adjustments were the result of adjusting for the time value of money and using revised forecasts and updated fair value measurements that adjusted the Company's estimated earn-out payments related to the purchases of these businesses.

For the years ended December 31, 2014 and 2013, the Company recognized charges of \$2,160,316 and \$101,181, respectively, in selling, general, and administrative expenses in the consolidated statement of income due to the change in fair value measurements using a level three valuation technique.

For the years ended December 31, 2014 and 2013, the Company paid \$4,859,670 and \$3,615,000, respectively, in contingent earn-out payments. In 2014, the Company paid the former owners of Nationwide Traffic Services, LLC ("Nationwide"), Distribution Services Inc. ("DSI"), Sharp, Lubenow Logistics, LLC ("Lubenow"), Freight Management Inc. ("FMI"), Advantage Transport, Inc. ("Advantage"), Freight Lanes International Inc. ("FLI"), Trailer Transport Systems ("TTS") and DNA Freight Inc. ("DNA"), \$437,500, \$520,000, \$287,170, \$280,000, \$520,000,

\$925,000, \$305,000, \$625,000 and \$960,000, respectively, as the EBITDA targets set forth in the purchase agreements had been met. In 2013, the Company paid



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the former owners of Lubenow, FMI, Advantage, FLI, TTS and DNA, \$280,000, \$520,000, \$925,000, \$305,000, \$625,000, and \$960,000, respectively, as certain EBITDA targets set forth in the purchase agreements had been met.

## 6. Property and Equipment

Property and equipment at December 31, 2014 and 2013, consisted of the following:

	2014	2013
Computer equipment	\$ 10,063,187	\$ 6,867,222
Software, including internal use software	46,303,704	36,699,184
Furniture, fixtures and office equipment	8,254,664	5,532,757
	64,621,555	49,099,163
Less accumulated depreciation	(43,344,846 )	(33,562,332 )
	\$ 21,276,709	\$ 15,536,831

Depreciation expense, including amortization of capitalized internal use software, was \$9,950,256, \$8,192,981 and \$6,954,045 for the years ended December 31, 2014, 2013 and 2012, respectively.

## 7. Intangibles and Other Assets

The following is a summary of goodwill as of December 31:

Balance as of December 31, 2012	\$ 51,073,903
Adjustment to goodwill related to prior acquisitions	(3,815 )
Goodwill acquired related to the purchase of Open Mile	579,972
Balance as of December 31, 2013	51,650,060
Goodwill acquired related to the purchase of OFS	4,309,146
Goodwill acquired related to the purchase of Comcar	2,342,265
Goodwill acquired related to the purchase of One Stop	19,608,066
Balance as of December 31, 2014	\$ 77,909,537

The following is a summary of amortizable intangible assets as of December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013	Weighted- Average Life
Customer relationships	\$ 44,938,979	\$ 21,438,979	10.1 years
Noncompete agreements	339,000	139,000	4.2 years
Trade names	640,000	190,000	4.4 years
	45,917,979	21,767,979	10.0 years
Less accumulated amortization	(15,046,556 )	(11,120,733 )	
Intangible assets, net	\$ 30,871,423	\$ 10,647,246	

Amortization expense related to intangible assets was \$3,925,823, \$2,371,676, and \$2,185,187 for the years ended December 31, 2014, 2013 and 2012, respectively.



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The estimated amortization expense for the next five years and thereafter is as follows:

2015	\$4,383,929
2016	4,054,062
2017	3,741,285
2018	3,337,180
2019	2,907,854
Thereafter	12,447,113
	\$30,871,423

#### 8. Accrued Expenses and Other Noncurrent Liabilities

The components of accrued expenses at December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Accrued compensation	\$11,359,446	\$4,147,590
Accrued rebates	2,572,544	2,298,476
Accrued employee benefits	1,643,713	67,639
Deferred rent	293,853	263,893
Other	3,626,444	1,544,519
Total accrued expenses	\$19,496,000	\$8,322,117

The other noncurrent liability of \$1,502,019 and \$1,573,780 as of December 31, 2014 and 2013, respectively, is the portion of deferred rent in excess of twelve months.

#### 9. Revolving Credit Facility

On May 2, 2014, the Company entered into a credit agreement with PNC Bank for the establishment of a revolving credit facility. The \$50 million facility expires on May 2, 2017 and allows for the issuance of up to \$20 million in letters of credit. The issuance of letters of credit under the credit facility reduces available borrowings. The Company's ability to access the revolving credit facility is subject to its compliance with the terms and conditions of the credit agreement, including customary covenants that provide limitations and conditions on the Company's ability to enter into certain transactions. The credit agreement also contains financial covenants that require the Company to maintain a maximum leverage ratio and a minimum interest coverage ratio. As of December 31, 2014, the Company was in compliance with all of these covenants.

The Company pays a commitment fee to PNC Bank to keep the revolving credit facility active. Borrowings bear interest at one of the following, plus an applicable margin: (1) the federal funds rate, (2) the prime rate, or (3) the LIBOR rate, based on the Company's election for each tranche of borrowing. Both the commitment fee and any interest expense are recorded to the income statement as interest expense in the period incurred.

At December 31, 2014, there were no amounts drawn against the revolving credit facility and there were letters of credit outstanding in the aggregate amount of \$14.5 million. The amounts available under the revolving credit facility are reduced by the amounts outstanding under letters of credit, and thus availability under the revolving credit facility at December 31, 2014 was \$35.5 million.

This revolving credit agreement with PNC Bank replaced the Company's \$10 million line of credit with JPMorgan Chase Bank. In 2013, the company did not draw on the \$10 million line of credit. No borrowings were outstanding

under the \$10 million line of credit as of December 31, 2013.

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## 10. Commitments and Contingencies

## Leases

In April 2007, the Company entered into an operating lease agreement for an office facility, which was amended in 2013. The amended lease agreement expires in November 2020, and has escalating base monthly rental payments ranging from \$195,830 to \$238,643, plus an additional monthly payment for real estate taxes and common area maintenance fees related to the building.

During 2014 and 2013, the Company also assumed contractual operating lease obligations through acquisitions, which consisted primarily of building operating leases expiring at various dates through 2020.

The Company recognizes operating lease rental expense on a straight-line basis over the term of the lease. The total rental expense for the years ended December 31, 2014, 2013 and 2012 was \$4,361,734, \$3,821,934 and \$3,026,941, respectively.

Future minimum annual rental payments for the next five years and thereafter, excluding immaterial sublease income, are as follows:

	Operating Leases
2015	\$4,388,094
2016	4,223,397
2017	3,833,920
2018	3,029,088
2019	2,744,764
Thereafter	2,484,881
	\$20,704,144

## 11. Income Taxes

The Company accounts for income taxes and related uncertain tax positions in accordance with ASC Topic 740. For the years ended December 31, 2014 and 2013, the Company recognized a net increase of \$182,385 and \$166,432 in unrecognized tax benefits, respectively. The Company's policy is to recognize interest and penalties on unrecognized tax benefits as a component of income tax expense. The Company has recorded interest on its unrecognized tax benefits as of December 31, 2014. The following is a reconciliation of the total amounts of unrecognized tax benefits excluding interest and penalties for the years ended December 31, 2014 and 2013:

	2014	2013
Balance at January 1	\$337,983	\$171,551
Gross increases — current period tax positions	257,955	166,432
Balance at December 31	\$595,938	\$337,983

The Company does not believe it will have any significant changes in the amount of unrecognized tax benefits in the next 12 months. The total amount of the unrecognized tax benefits, if recognized, for the years ended December 31, 2014 and 2013, respectively, would affect the effective tax rate. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2008, and state and local income tax examinations, by tax authorities for years before 2008.



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The provision for income taxes consists of the following components for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Current:			
Federal	\$8,326,480	\$6,928,141	\$7,837,021
State	1,435,511	1,084,663	1,138,496
Total current	9,761,991	8,012,804	8,975,517
Deferred:			
Federal	560,345	404,395	(1,130,239 )
State	169,255	228,289	(68,435 )
Total deferred	729,600	632,684	(1,198,674 )
Income tax expense	\$10,491,591	\$8,645,488	\$7,776,843

The provision for income taxes for the years ended December 31, 2014, 2013 and 2012 differs from the amount computed by applying the U.S. federal income tax rate of 35% to pretax income because of the effect of the following items:

	2014	2013	2012
Tax expense at U.S. federal income tax rate	\$9,547,702	\$7,996,836	\$7,034,390
State income taxes, net of federal income tax effect	951,284	751,257	558,962
Nondeductible expenses and other	176,878	71,282	128,137
Effect of state rate change on deferred items	8,402	18,570	32,714
Research and development credit	(360,584 )	(449,679 )	—
Changes in unrecognized tax benefits	182,385	166,432	14,291
Provision to return adjustments	(14,476 )	90,790	8,349
	\$10,491,591	\$8,645,488	\$7,776,843

At December 31, 2014 and 2013, the Company's deferred tax assets and liabilities consisted of the following:

	2014	2013
Current deferred tax assets:		
Reserves and allowances	\$2,018,366	\$2,018,782
Noncurrent deferred tax assets:		
Intangible assets	474,638	505,928
Stock options	2,450,556	1,980,555
Research and development credit	(520,367 )	(337,983 )
Net operating loss carryforward	—	4,966
Total noncurrent deferred tax assets	2,404,827	2,153,466
Total deferred tax assets	4,423,193	4,172,248
Total current deferred tax liability:		
Prepaid and other expenses	1,023,195	1,075,042
Noncurrent deferred tax liabilities:		
Property and equipment	6,738,462	5,700,892
Total deferred tax liabilities	7,761,657	6,775,934
Net deferred tax liability	\$(3,338,464 )	\$(2,603,686 )

As of December 31, 2014, the Company does not have a net operating loss carryforward.

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## 12. Stockholders' Equity

## Preferred Stock

The Board of Directors has the authority to issue up to 2,500,000 shares of preferred stock in one or more series and to establish the preferred stock's voting powers, preferences and other rights and qualifications without any further vote or action by the stockholders. As of December 31, 2014, there was no preferred stock outstanding.

## 13. Earnings Per Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average shares outstanding plus share equivalents that would arise from the exercise of share options and the vesting of restricted stock. There were no employee stock options excluded from the calculation of diluted earnings per share for the years ended December 31, 2014, 2013, and 2012. The computation of basic and diluted earnings per common share for the years ended December 31, 2014, 2013 and 2012 are as follows:

	Year Ended December 31,		
	2014	2013	2012
Numerator:			
Net income	\$16,787,558	\$14,202,614	\$12,321,414
Denominator:			
Denominator for basic earnings per share - weighted-average shares	23,044,029	22,860,661	22,357,046
Effect of dilutive securities:			
Employee stock options	590,312	543,322	541,635
Denominator for dilutive earnings per share	23,634,341	23,403,983	22,898,681
Basic net income per common share	\$0.73	\$0.62	\$0.55
Diluted net income per common share	\$0.71	\$0.61	\$0.54



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## 14. Stock-Based Compensation Plans

In March 2005, the Company adopted the 2005 Stock Option Plan providing for the issuance of stock options of Series A common shares. During the fourth quarter of 2009, the Company adopted the 2008 Stock Incentive Plan ("the 2008 Plan"). Upon adoption, the 2005 Stock Option Plan was merged into the 2008 Plan and ceased to separately exist. Outstanding awards under the 2005 Stock Option Plan are now subject to the 2008 Plan and no additional awards may be made under the 2005 Stock Option Plan on or after the effective date of the 2008 Plan. A total of 1,400,000 shares of common stock have been reserved for issuance under the 2008 Plan. The 2008 Plan is administered by the Board of Directors who determine the type of award, exercise price of options, the number of options to be issued, and the vesting period. As specified in the 2008 Plan, the exercise price per share shall not be less than the fair market value on the effective date of grant. Upon exercise of a stock option under the 2008 Plan, new stock is issued. The term of an option does not exceed 10 years, and the options generally vest ratably over one to five years from the date of grant. Under the 2008 Plan, two types of stock incentives have been issued: stock option awards and restricted stock awards.

In 2014, the Company did not grant any stock options. During 2013, the Company granted 3,000 stock options to one employee at an exercise price of \$17.94, all of which will vest ratably over a 12 month period.

In 2014, the Company awarded 184,157 shares of restricted stock to certain employees and directors of which 10,312 will vest ratably over 2.5 years and 173,845 shares will vest ratably over 4 years based on the employees' continued employment. The grant date fair value of the restricted stock granted ranged from \$16.10 to \$27.48.

In 2013, the Company awarded 252,198 shares of restricted stock to certain employees and directors of which 21,562 will vest ratably over 3 years, 226,136 shares will vest ratably over 4 years and 4,500 will vest ratably over 5 years based on the employees' continued employment. The grant date fair value of the restricted stock granted ranged from \$18.29 to \$21.51.

There was \$8,068,512 and \$8,886,769 of total unrecognized compensation cost related to the stock-based compensation granted under the plans as of December 31, 2014 and 2013, respectively. This cost is expected to be recognized over a weighted-average period of 2.7 years.

## Stock Option Awards

Using the Black-Scholes-Merton option valuation model and the assumptions listed below, the Company recorded \$479,921, \$664,909 and \$953,327 in compensation expense with corresponding tax benefits of \$187,169, \$259,314 and \$371,798 for stock option awards for the years ended December 31, 2014, 2013 and 2012, respectively.

There were no options granted during 2014. The following assumptions were utilized in the valuation for options granted in 2013.

	2013	
Dividend yield	—	
Risk-free interest rate	1.7	%
Weighted-average expected life	5.5 years	
Volatility	35.0	%

The volatility assumption used in the valuation for options granted was determined by analyzing the volatilities of comparable companies that are in a similar industry and stage of development as the Company. The expected life of options granted for all periods was determined using the simplified method under Staff Accounting Bulletin No. 110 ("SAB 110") and is calculated by taking the average of the vesting term and contractual life of the option grant. The simplified method under SAB 110 may be used as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected life. The risk-free interest rate is based on yields on a

ten year U.S. Treasury bill on the option grant date.

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A summary of stock option activity is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	1,601,856	\$8.56	6.9	\$12,152,215
Granted	—	—		
Exercised	(287,855)	) 5.97		3,455,275
Forfeited or canceled	(69,125)	) 11.25		
Outstanding at December 31, 2012	1,244,876	\$9.01	6.0	\$11,145,479
Granted	3,000	17.94		
Exercised	(112,990)	) 10.00		1,296,867
Forfeited or canceled	(35,660)	) 11.99		
Outstanding at December 31, 2013	1,099,226	\$8.83	5.0	\$13,899,986
Granted	—	—		
Exercised	(173,727)	) 6.20		3,995,095
Forfeited or canceled	(3,610)	) 12.20		
Outstanding at December 31, 2014	921,889	\$9.32	4.2	\$18,329,554
Options vested and exercisable at December 31, 2014	892,883	\$9.23	4.1	\$17,827,707

The following table provides information about stock options granted and vested in the years ended December 31:

	2014	2013	2012
Options granted:			
Range of exercise prices per share of options granted	—	\$17.94	—
Options vested/exercisable:			
Grant date fair value of options vested	\$3,250,365	\$3,059,084	\$2,860,267
Aggregate intrinsic value of options vested and exercisable at end of period	\$17,827,707	\$12,640,576	\$9,435,144

The aggregate intrinsic value of options outstanding represents the total pretax intrinsic value (the difference between the fair value of the Company's stock on the last day of each fiscal year and the exercise price, multiplied by the number of options where the exercise price exceeds the fair value) that would have been received by the option holders had all option holders exercised their options as of December 31, 2014, 2013 and 2012, respectively. These amounts change based on the fair market value of the Company's stock, which was \$29.20, \$21.48 and \$17.97, on the last business day of the years ended December 31, 2014, 2013 and 2012, respectively. The weighted-average grant-date fair market value for 2013 option grants was \$6.29.

#### Restricted Stock Awards

In 2014, the Company awarded restricted shares to certain key employees that vest primarily based on their continued employment. The value of these awards is established by the market price on the date of the grant and is being expensed ratably over the vesting period of the award. The following table summarizes these nonvested restricted share grants as of December 31, 2014:

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	Number of Restricted Shares
Nonvested at December 31, 2013	599,545
Granted	184,157
Vested	(187,594 )
Forfeitures	(32,413 )
Nonvested at December 31, 2014	563,695

In 2014, 2013 and 2012, the Company recorded \$3,520,439, \$2,673,769 and \$1,772,914 in compensation expense with corresponding tax benefits of \$1,372,971, \$1,042,770 and \$691,436 for restricted stock awards, respectively.

Performance Based Shares

The Company granted 34,328 shares of performance stock to key executives during the year ended December 31, 2013. In accordance with ASC 718-10-20 Compensation - Stock Compensation, the Company evaluated whether the shares would be earned at December 31, 2014. The Company does not expect the financial targets, which need to be achieved in order for the shares to vest, to be met. As a result, none of the performance based shares will be earned and there was no expense recognized for the year ended December 31, 2014.

Performance and Market-Based Stock

In 2014, the Company initiated a performance and market-based stock incentive plan for certain executives that provides vesting based on specific financial and market-based performance measurements. The Company granted 43,437 shares of performance and market-based stock during the year ended December 31, 2014. In 2014, the Company recorded \$405,066 in compensation expense with corresponding tax benefits of \$157,976.

15. Benefit Plans

The Company adopted a 401(k) savings plan effective September 1, 2005, covering all of the Company's employees upon hiring date. Employees may contribute a percentage of eligible compensation on both a before-tax basis and an after-tax basis. The Company has the right to make discretionary contributions to the plan. For the years ended December 31, 2014, 2013 and 2012, the Company contributed \$564,407, \$320,775 and \$148,789, respectively.

16. Significant Customer Concentration

For the years ended December 31, 2014, 2013 and 2012, all revenue consisted of sales generated from customers that were individually less than 10% of the Company's total revenue.

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## 17. Quarterly Financial Data (Unaudited)

	Year Ended December 31, 2014			
	First Quarter(1)	Second Quarter(2)	Third Quarter	Fourth Quarter
Revenue	\$247,670,217	\$305,119,867	\$320,565,829	\$300,026,847
Net revenue	42,210,126	53,337,470	58,430,050	54,239,784
Net income	2,429,959	4,244,217	5,457,604	4,655,778
Net income per share:				
Basic	\$0.11	\$0.18	\$0.24	\$0.20
Diluted	\$0.10	\$0.18	\$0.23	\$0.20
	Year Ended December 31, 2013			
	First Quarter(3)	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$203,977,378	\$224,050,929	\$234,842,526	\$221,322,456