XPO Logistics, Inc.
Form 10-K
February 29, 2016

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

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2015

OR

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

For the transition period from to

Commission File Number: 001-32172

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

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

Five Greenwich Office Park
Greenwich, Connecticut 06831
(Address of principal executive offices)
(855) 976-4636
(Registrant's telephone number, including area code)
Securities registered under Section 12(b) of the Act:

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

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

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

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

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 ý 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 ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the registrant's common stock, par value $0.001 per share, held by non-affiliates of the registrant was $4,286,583,341 as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of $45.18 per share on the NYSE on that date.

As of February 26, 2016, there were 109,641,880 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2016 Annual Meeting of Stockholders (the "Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement is not deemed to be filed as part hereof.

XPO LOGISTICS, INC.
FORM 10-K—FOR THE YEAR ENDED DECEMBER 31, 2015
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This Annual Report on Form 10-K is for the year ended December 31, 2015. The Securities and Exchange Commission (the "SEC") allows us to incorporate by reference information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Annual Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Annual Report.

PART I

ITEM 1. BUSINESS

General

XPO Logistics, Inc., a Delaware corporation together with its subsidiaries ("XPO," the "Company," "we" or "our"), is a global transportation and logistics company that provides comprehensive supply chain solutions to more than 50,000 customers. XPO offers these solutions through its highly integrated organization that, as of December 31, 2015, encompassed over 89,000 employees and approximately 1,451 locations in 33 countries, primarily in North America and Europe. Our customers are multinational, national, mid-size and small enterprises, and include many of the most prominent companies in the world. On a typical day we facilitate 150,000 ground shipments and manage over five billion inventory units in our contract logistics facilities.

XPO operates on a global basis as an asset-light company, with asset-based businesses accounting for about a third of revenue and less than a quarter of free cash flow. Based on our current business mix, we estimate that our annual net capital expenditure will be approximately 3% of revenue.

In a little more than four years, we have taken XPO from a North American business with $177 million of revenue to a top ten global transportation and logistics company. In September 2011, following the equity investment in the Company led by Bradley S. Jacobs, we put a highly skilled management team in place and began the disciplined execution of a growth strategy to acquire and integrate attractive companies and optimize all XPO operations, with the goal of creating dramatic, long-term value for our customers and shareholders.

We offer customers a compelling range of transportation and logistics solutions:

- Freight Brokerage: the second largest freight brokerage firm in North America based on net revenue; the third largest provider of door-to-door intermodal rail services in North America, with one of the largest U.S. drayage networks, and a leader in cross-border Mexico intermodal;
- Last Mile: the largest provider of home delivery and installation logistics for heavy goods in North America, and a leading last mile provider to the e-commerce industry;
- Supply Chain: the second largest global provider of contract logistics based on square footage, with one of the largest e-fulfillment platforms in Europe;
- Expedite: the largest manager of time-critical and high-value expedite shipments in North America via ground transportation, air charter and web-based managed transportation services;
- Less-Than-Truckload ("LTL"): the second largest provider of LTL services in North America and a leading provider of LTL services in Western Europe. As of December 31, 2015, the Company's LTL service in North America had some of the highest service levels in the industry for on-time performance, offered more next-day and two-day lanes than any other LTL carrier, and covered 99% of U.S. postal codes;
- Full Truckload: a top 20 U.S. carrier and a leading cross-border Mexico ground transportation provider;
- Managed Transportation: a top five global service provider based on the value of XPO's freight under management, which was approximately $2.7 billion as of December 31, 2015; and
- Global Forwarding: a growing provider of global forwarding services.

We believe that our ability to provide customers with end-to-end supply chain solutions gives us a competitive advantage. Many customers, particularly large companies, are increasingly turning to multi-modal providers to handle their supply chain requirements. We have built XPO to capitalize on this trend, as well as the trends toward outsourcing in transportation and logistics, the growth in e-commerce, the adoption of just-in-time inventory practices, and the near-shoring of manufacturing in Mexico.

We have two reportable business segments: Transportation and Logistics. Within each segment, we have built robust service offerings that meet fast-growing areas of customer demand. Substantially all of our businesses operate under the single brand of XPO Logistics. We provide financial information for our segments and geographic information in Note 20 —Segment Reporting and Geographic Information to our Consolidated Financial Statements.

Transportation

In our Transportation segment, we provide freight brokerage, last mile, expedite, intermodal, LTL, full truckload, and global forwarding services. Freight brokerage, last mile, expedite and global forwarding are all non-asset or asset-light

businesses.

LTL and full truckload are asset-based. Our leased and owned transportation assets as of December 31, 2015, globally, include 19,000 tractors, 47,000 trailers, 10,000 intermodal containers and 9,000 container chassis. We also have 448 cross-dock terminals worldwide. These assets benefit our company and our customers, especially during periods of tight capacity.

We utilize an "asset right" blended transportation model of brokered, owned and contracted capacity to serve customers consistently in all market conditions and further differentiate our value proposition. Globally, as of December 31, 2015, in addition to our owned assets, our transportation model included truck procurement hubs that manage relationships with more than 10,000 owner operator trucks under contract for last mile, expedite and drayage services, as well as approximately 50,000 additional independent carriers utilized mostly by our freight brokerage business. The North American component of this network, as of year-end 2015, included relationships with approximately 7,000 owner operator trucks, and an additional 38,000 independent carriers representing approximately 1,000,000 trucks on the road.

XPO holds leading positions in many transportation sectors in North America and Europe. In North America, as of December 31, 2015, we were the leader in both last mile logistics for heavy goods and expedite shipment management, and we were among the largest providers of freight brokerage (including truck brokerage and intermodal rail and drayage services) and LTL transportation. In Western Europe, as of December 31, 2015, we were a leading LTL provider and had a growing brokerage business. The Company typically manages all aspects of the services offered, including selecting qualified carriers or vessels - or, in the case of full truckload and LTL, providing capacity - negotiating rates, tracking shipments, billing and resolving disputes. The Company accomplishes this by using its proprietary transportation management technology, third-party carriers and Company-owned trucks.

The Company's transportation segment encompasses seven services:

Freight Brokerage

The Company's freight brokerage business encompasses operations for truck brokerage and, in North America, intermodal and drayage services. Our truck brokerage operations are non-asset-based: we place shippers' freight with qualified carriers, primarily trucking companies. Customers offer loads to us via telephone, fax, email, electronic data interchange and the Internet on a daily basis. These services are priced on either a spot market or contract basis for shippers. We collect payments from our customers and pay the carriers on a spot market basis for transporting customer loads.

We are the third largest provider of intermodal services in North America, and a leading provider of intermodal services in the fast-growing cross-border Mexico sector. Our intermodal operations are asset-light; we provide container capacity - some of which utilizes our 10,000 leased or owned 53-ft. containers and 9,000 chassis - rail brokerage, drayage transportation via independent contractors, and on-site operational services. We contract with railroads to provide the long-haul portion of the shipment of freight in containers, and we contract with trucking companies for the local pick-up and delivery legs of the intermodal freight movement. We also provide customized electronic tracking and analysis of market prices and negotiated rail, truck and intermodal rates, in order to determine the optimal transportation routes. We offer our door-to-door intermodal services to a wide range of customers in North America, including large industrial and retail shippers, transportation intermediaries such as intermodal marketing companies, and steamship lines.

In June 2015, we expanded our drayage operations through the acquisition of Bridge Terminal Transport, Inc. ("BTT"), one of the largest asset-light drayage providers in the U.S. For additional information on the BTT acquisition and other prior acquisitions, see Note 3—Acquisitions, of Item 8, "Financial Statements and Supplementary Data."

Last Mile Logistics

The Company is the largest provider of last mile logistics for heavy goods in North America. Our last mile services are asset-light and utilize independent contractors. Last mile delivery comprises the final stage of the delivery from a local distribution center or retail store to the end-consumer's home or business. This is a fast-growing industry sector of that serves blue chip retailers, e-commerce companies and smaller retailers with limited in-house capabilities. Important aspects of last mile service are responsiveness to seasonal demand, economies of scale, and an ability to maintain a consistently high quality of customer experience. In addition, the last mile process often requires incremental services, including pre-scheduled delivery times, unpacking, assembly, utility connection, and installation

as well as removal of an old product. These additional services are commonly referred to as white-glove services. We use our proprietary technology platforms to collect customer feedback, monitor carrier performance, manage capacity, and communicate during narrow windows of service to ensure an end-consumer experience that protects the brands of our retail customers.

In February 2015, we further expanded our last mile logistics operations through the acquisition of UX Specialized Logistics ("UX"), a North American provider of last mile logistics services for major retail chains and e-commerce companies. For additional information on the UX acquisitions and other prior acquisitions, see Note 3—Acquisitions, of Item 8, "Financial Statements and Supplementary Data."

Less-Than-Truckload (LTL)

The Company is the second largest provider of LTL services in North America, and holds leading LTL positions in the United Kingdom, France, Spain and Portugal. Our LTL business in North America is asset-based and utilizes employee drivers, a fleet of tractors and trailers for line-haul, pick-up and delivery, and a network of terminals. We provide day-definite regional, inter-regional and transcontinental LTL freight services.

The Company's LTL business in Europe is a mix of asset-based and asset-light, and utilizes both Company fleet and contracted carrier capacity, together with a network of terminals. We provide LTL services domestically in France, the United Kingdom, and Spain. We offer international LTL distribution across Europe.

Prior to 2015, the Company provided limited LTL services on a brokered basis. On June 8, 2015, the Company acquired a majority interest in Norbert Dentressangle SA ("ND"), a leading provider of LTL services in Western Europe. On October 30, 2015, the Company acquired Con-way Inc. ("Con-way"), including its North American LTL business. For additional information on the ND and Con-way acquisitions and other prior acquisitions, see Note 3—Acquisitions, of Item 8, "Financial Statements and Supplementary Data."

Full Truckload

The Company's full truckload business is an asset-based motor carrier that utilizes a fleet of tractors and trailers to provide short- and long-haul, asset-based transportation services throughout North America and Europe. In North America, we provide dry-van transportation services to manufacturing, industrial and retail customers while using single drivers as well as two-person driver teams over long-haul routes, with each trailer containing only one customer's goods. This origin-to-destination freight movement limits intermediate handling. In Europe, we provide transportation of packaged goods, high cube products, and bulk goods. We provide our services domestically in France, the United Kingdom, Spain, Poland, Romania, Italy and Slovakia, as well as internationally across Europe.

Expedite

The Company is the largest arranger of urgent, time-critical shipments in North America by ground and air transportation, through direct transacting and our web-based technology. This is predominantly a non-asset-based service: substantially all of the ground transportation equipment used by the operations is provided by independent owner-operators who own one truck or van, or by independent fleet owners of multiple trucks or vans who employ multiple drivers. We are focused on developing strong, long-term relationships with our independent owner-operators and fleet owners, and incentivizing them to furnish their capacity to us on an exclusive basis. Expedite air charter service is arranged using the Company's relationships with third-party air carriers.

Our expedite services can be characterized as time-critical, time-sensitive or high priority freight shipments, many of which have special handling needs. The urgency typically arises due to tight tolerances in a customer's supply chain, interruptions or changes in the supply chain, or the failure of another mode of transportation within the supply chain. We have the ability to arrange urgent shipments very quickly by over-the-road transportation, the largest component of our expedite volume, by using independent air charter carriers, and through our proprietary online bid technology. Expedited shipments are predominantly direct transit movements offering door-to-door service within tightly prescribed time parameters. Customers typically request our expedite services on a per-load transactional basis, with only a small percentage of loads being scheduled for future delivery dates. We operate an ISO 9001:2008 certified 24-hour, seven-day-a-week call center that gives our customers on-demand communications and status updates relating to their expedited shipments.

Managed Transportation

The Company is a top five global provider of managed transportation based on the value of freight under management. Our managed transportation offering includes a range of services provided to shippers who want to outsource some or all of their transportation modes, together with associated activities. These activities can include freight handling such as consolidation and deconsolidation, labor planning, inbound and outbound shipment facilitation, documentation and customs management, claims processing, and third party logistics, or 3PL, supplier management, among other things.

Global Forwarding

The Company's global forwarding business operates as a non-asset logistics provider for domestic, cross-border and international shipments, as well as customized services. We provide these services through relationships with ground,

air and ocean carriers and a network of Company-owned and agent-owned locations. Our forwarding capabilities are not restricted by size, weight, mode or location, and therefore are potentially attractive to a wide market base.

As part of our global forwarding business, we operate a subsidiary as a non-vessel operating common carrier ("NVOCC") to transport our customers' freight by contracting with vessel operators.

We are also a customs broker, licensed by the U.S. Customs and Border Protection Service to act on behalf of importers in handling customs formalities and other details. We provide customs brokerage services to direct domestic importers in connection with many of the shipments that we handle as an NVOCC, as well as shipments arranged by other freight forwarders, NVOCCs or vessel operating common carriers.

Logistics

In our Logistics segment, which we refer to as supply chain, the Company provides a range of contract logistics services, including highly engineered and customized solutions, e-commerce fulfillment and reverse logistics, as well as high-value-add warehousing and distribution solutions such as factory support, aftermarket support, integrated manufacturing, packaging, labeling, distribution and transportation. In addition, we utilize our technology and expertise to solve complex supply chain challenges and create transformative solutions for world-class customers, while reducing their operating costs and improving production flow management.

We operate approximately 151 million square feet (14.0 million square meters) of facility space devoted to our contract logistics operations, with about 65.0 million square feet (6.1 million square meters) of that capacity in the United States. When we establish relationships through contractual agreements, it can lead to a wider use of our services, such as inbound and outbound logistics.

Customers of our supply chain business primarily operate in industries with high-growth outsourcing opportunities, such as high tech, e-commerce, telecommunications, aerospace and defense, healthcare, medical equipment, agriculture, food and beverage, and select areas of manufacturing. These customers have demanding requirements for quality standards, real-time data visibility, customer service, handling of high-value products, high transaction volumes with large numbers of stock keeping units (“SKUs”), and/or time-assured deliveries.

In 2015, we further expanded our supply chain business through the ND and Con-way acquisitions. For additional information on these and other acquisitions, see Note 3—Acquisitions, of Item 8, “Financial Statements and Supplementary Data.”

Our Strategy

XPO Logistics is a top ten global transportation and logistics company, providing cutting-edge supply chain solutions to the most successful companies in the world. We have established leading positions in key areas of transportation and logistics where there is strong secular demand. We offer our solutions through our highly integrated, multi-modal organization that operates under the XPO Logistics brand worldwide. Our strategy is to deliver unmatched value to customers through our highly integrated organization, extensive service range, global critical mass, and the disciplined execution of initiatives that increase our profitability and create long-term value for our customers and shareholders.

We are continuing to optimize our existing operations by growing our sales force, implementing advanced information technology, cross-selling our services and leveraging our shared capacity. We have a disciplined framework of processes in place for the recruiting, training and mentoring of newly hired employees, and for marketing to the hundreds of thousands of prospective customers who can use our services. Our network is supported by our proprietary information technology that includes robust sales, service, carrier procurement, warehouse management, and customer experience management capabilities, as well as benchmarking and analysis. Most important to our growth, we have instilled a culture of passionate customer service.

Information Systems and Intellectual Property

One of the ways we empower our employees to deliver world-class service is through our information technology (“IT”). We believe that technology is a big differentiator in our industry. Technology represents one of our Company’s largest categories of investment within our annual capital expenditure budget, reflecting our belief that the continual enhancement of our technology platforms is critical to our success. We have an IT team of over 1,500 talented professionals who focus on driving innovation and advancing the effectiveness of our systems.

In our freight brokerage business, our proprietary Freight Optimizer software solution for truck brokerage provides actionable pricing information as well as cost effective, timely and reliable access to carrier capacity, which we believe gives us an advantage versus our competitors. In 2015, also in freight brokerage, we launched our proprietary Rail Optimizer software that optimizes all aspects of the intermodal network, including shipment management, capacity flow and asset management, market-based pricing, and shipment execution with rail providers.

In our last mile logistics business, our proprietary software provides real-time workflow visibility and customer experience management for superior satisfaction ratings. In our expedite business, we utilize satellite tracking and communication units on the independently contracted vehicles that transport goods for our customers, to provide our customers with real-time electronic updates. Our managed transportation business relies strongly on state-of-the-art technology. This includes our proprietary bidding software, which awards loads electronically based on carriers’ online bids.

In our Logistics segment, we have developed proprietary technology that enables sophisticated contract logistics solutions for large multi-national and medium-sized corporations and government agencies with complex supply chain requirements. This

software supports services such as omni-channel distribution, reverse logistics, transportation management, freight bill audit and payment, lean manufacturing support, aftermarket support and supply chain optimization.

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

Customers, Sales and Marketing

Our Company provides services to a variety of customers ranging in size from small, entrepreneurial organizations to Fortune 500 companies. During 2015, our business units served more than 50,000 different customers. Approximately 6.6% of our 2015 pro forma revenue was attributable to our top five clients, with our largest customer accounting for approximately 1.8% of our pro forma revenue.

Our customers are engaged in a wide range of industries, including high tech, retail, e-commerce, manufacturing, telecommunications, aerospace and defense, life sciences, healthcare, medical equipment, agriculture, and food and beverage.

Our transportation businesses are primarily marketed in North America and Europe. Our logistics and global forwarding businesses serve global markets, with concentrations in North America, Europe and Asia. Pro forma for 2015 acquisitions, approximately 60% of our revenue was generated in the United States, 12% in France, 12% in the United Kingdom, 4% in Spain and 12% in other countries.

To best serve our customers, we maintain a significant staff of sales representatives and related support personnel. Our sales strategy is twofold: we seek to establish long-term relationships with new accounts and to increase the amount of business generated from our existing customer base. These objectives are served by our position as one of the largest third-party logistics providers in the world and by our ability to cross-sell a range of services. We believe that these attributes are competitive advantages in the transportation and logistics industry. See Note 20 —Segment Reporting and Geographic Information to the Consolidated Financial Statements for further geographic information.

Competition

The transportation and logistics industry is highly competitive, with thousands of companies competing in the domestic and international markets. Our competitors include local, regional, national and international companies with the same services that our business units provide. Due in part to the fragmented nature of the industry, our business units must strive daily to retain existing business relationships and forge new relationships.

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

Regulation

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

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

Homeland Security ("DHS"), also regulate our equipment, operations and independent contractor drivers. We and the third-party carriers we use are also subject to a variety of vehicle registration and licensing requirements of the state or other local jurisdictions in which they operate. In other foreign jurisdictions in which we operate, our operations are regulated, where necessary, by the appropriate governmental authority.

In 2010, the FMCSA introduced the Compliance Safety Accountability program ("CSA"), which uses a Safety Management System ("SMS") to rank motor carriers on seven categories of safety-related data, known as Behavioral Analysis and Safety Improvement Categories, or "BASICs," which data, it is anticipated, will eventually be used for determining a carrier's DOT

safety rating under revisions to existing Safety Fitness Determination ("SFD") regulations. In December 2015, the Fixing America's Surface Transportation Act ("FAST Act") was signed into law, which requires the FMCSA to review the CSA program to ensure that it provides the most reliable analysis possible. During this review period, the FAST Act requires the FMCSA to remove a property carrier's CSA scores from public view. The FMCSA has since announced an SFD Notice of Proposed Rulemaking ("NPRM") that would revamp the current three-tier federal rating system for federally regulated commercial motor carriers.

Although the CSA scores are not currently publicly available, this development is likely to be temporary. As a result, once the program has been revamped, our fleet could be ranked poorly as compared to our competitors, and the safety ratings of our motor carrier operations could be adversely impacted. Our network of third-party transportation providers may experience a similar result. A reduction in safety and fitness ratings may result in difficulty attracting and retaining qualified independent contractors and could cause our customers to direct their business away from us and to carriers with more favorable CSA scores, which would adversely affect our results of operations.

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

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

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

Regulations affecting our Subsidiaries Providing Ocean and Air Transportation. XPO Customs Clearance Solutions, Inc. ("XCCS") and NDO America, Inc. (following its anticipated name change to XPO GF America, Inc., "XGFA"), two of our subsidiaries, are licensed as customs brokers by U.S. Customs and Border Protection ("CBP") of DHS in each United States customs district in which they do business. All United States customs brokers are required to maintain prescribed records and are subject to periodic audits by CBP. In other jurisdictions in which we perform customs brokerage services, our operations are licensed, where necessary, by the appropriate governmental authority.

Our subsidiaries offering expedited air charter transportation are subject to regulation by the Transportation Security Administration ("TSA") of DHS regarding air cargo security for all loads, regardless of origin and destination. XPO Global Forwarding, Inc. ("XGF"), XGFA and XPO Air Charter also are regulated as "indirect air carriers" by the DHS and TSA. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry. We must actively monitor our compliance with such agency requirements to ensure that we have satisfactorily completed the security requirements and qualifications and implemented the required policies and procedures. These agencies generally require companies to fulfill these qualifications prior to transacting various types of business. Failure to do so could result in penalties and fines. The air cargo industry is also subject to regulatory and legislative actions that could affect the economic conditions within the

industry by requiring changes in operating practices or influencing the demand for and the costs of providing services to clients. We cannot predict the extent to which any such regulatory or legislative actions could adversely affect our business and operations, but we strive to comply with and satisfy agency requirements.

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

For our international oceanic freight forwarding business, XGF, XGFA and XPO Ocean Lines, Inc. ("XOL"), are registered as an Ocean Transportation Intermediary ("OTI") by the U.S. Federal Maritime Commission ("FMC"), which establishes the

qualifications, regulations and bonding requirements to operate as an OTI for businesses originating and terminating in the United States. XGL and XOL are also licensed NVOCCs and ocean freight forwarders.

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

Other Regulations. We are subject to a variety of other U.S. and foreign laws and regulations, including but not limited to, the Foreign Corrupt Practices Act and other similar anti-bribery and anti-corruption statutes.

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

Environmental Regulations. In the United States, our facilities and operations and our independent contractors are subject to various environmental laws and regulations dealing with the hauling, handling and disposal of hazardous materials, emissions from vehicles, engine-idling, fuel spillage and seepage, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. Similar laws and regulations may apply in many of the foreign jurisdictions in which we operate. We have instituted programs to monitor and control environmental risks and maintain compliance with applicable environmental laws and regulations. We may be responsible for the cleanup of any spill or other release involving hazardous materials caused by our operations or business. In the past, we have been responsible for the costs of cleanup of diesel fuel spills caused by traffic accidents or other events, and none of these incidents materially affected our business or operations. We generally transport only hazardous materials rated as low-to-medium-risk, and a small percentage of our total shipments contain hazardous materials. We believe that our operations are in substantial compliance with current laws and regulations and do not know of any existing environmental condition that would reasonably be expected to have a material adverse effect on our business or operating results. We also do not expect to incur material capital expenditures for environmental controls in 2016. Future changes in environmental regulations or liabilities from newly discovered environmental conditions or violations (and any associated fines and penalties) could have a material adverse effect on our business, competitive position, results of operations, financial condition or cash flows. U.S. federal and state governments, as well as governments in certain foreign jurisdictions in which we operate, have also proposed environmental legislation that could, among other things, potentially limit carbon, exhaust and greenhouse gas emissions. If enacted, such legislation could also result in higher new tractor and trailer costs, reduced productivity and efficiency, and increased operating expenses, all of which could adversely affect our results of operations.

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Risk Management and Insurance

U.S. Operations

We maintain insurance for commercial automobile liability, truckers' commercial automobile liability, commercial general liability, workers' compensation and employers' liability and umbrella and excess umbrella liability, with coverage limits, deductibles and self-insured retention levels that we believe are reasonable given the varying historical frequency, severity and timing of claims. However, we cannot provide assurance that our insurance coverage will effectively protect us in the event of claims made against us.

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

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

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

We maintain liability insurance policies to help protect us against losses that may not be recovered from the responsible contracted carrier. Our last-mile delivery logistics operations may involve installation of appliances in customers' homes involving water, gas or electric connections. We maintain commercial general liability insurance coverage to help protect us from claims related to these services. Our warehouse operations generally maintain legal liability insurance coverage and maintain contractually required all risk Inland Marine coverage to help protect us against claims arising from damage or loss to customer goods stored in our warehouses. We also maintain property damage insurance to help protect us against damage to our property. Our terms of carriage on international and ocean shipments limit our liability consistent with industry standards. We offer our brokerage, NVOCC and freight forwarding customers the option to purchase all risk cargo insurance for their shipments.

International Operations

Whenever our policies of insurance and their coverage territory are not worldwide, or are not-admitted in a specific country where we operate, but are compulsory in nature, we purchase coverage in that country as necessary to meet local requirements, with coverage placed through local insurers. In jurisdictions outside the United States we maintain insurance coverage for various forms of public liability, occupational accidents and first party property loss, with coverage limits, deductibles and or self-retention levels we believe are reasonable given the historical frequency, severity and timing of claims. However, we cannot provide assurance that such coverages will in all instances effectively protect us in the event of claims made against us or for loss or damage to our property.

Seasonality

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

Employees

As of December 31, 2015, we had approximately 89,000 full-time and part-time employees. We recognize our trained staff of employees as one of our most critical resources and acknowledge the recruitment, training and retention of qualified employees as essential to our ongoing success. We believe that we have good relations with our employees.

Executive Officers of the Registrant

We provide below information regarding each of our executive officers.

Name	Age	Position
Bradley S. Jacobs	59	Chairman of the Board and Chief Executive Officer
Troy A. Cooper	46	Chief Operating Officer and Chief Executive Officer-Europe
John J. Hardig	51	Chief Financial Officer
Gordon E. Devens	47	Chief Legal Officer
Scott B. Malat	39	Chief Strategy Officer
Mario A. Harik	35	Chief Information Officer

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

Troy Cooper has served as our Chief Operating Officer since May 2014 and in addition, has served as the Chief Executive Officer and Chairman of XPO Logistics Europe since September 2015. Mr. Cooper joined our company in September 2011 as Vice President—Finance, and has held positions of increasing responsibility since then. Mr. Cooper is responsible for the day-to-day operations and profit and loss performance of the Company. Mr. Cooper was most recently with United Rentals, Inc., where he served as vice president—group controller responsible for field finance functions and helped to integrate over 200 acquisitions in the United States, Canada and Mexico. Previously, he held controller positions with United Waste Systems, Inc. and OSI Specialties, Inc. (formerly a division of Union Carbide, Inc.). Mr. Cooper began his career in public accounting with Arthur Andersen and Co. and has a degree in accounting from Marietta College.

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

Gordon Devens joined us in November 2011 as Senior Vice President and General Counsel and has served as our Chief Legal Officer since November 2015. Prior to joining us, Mr. Devens was most recently vice president—corporate development with AutoNation, Inc., where he was previously vice president—associate general counsel. Earlier, he was an associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, where he specialized in mergers and acquisitions and securities law. Mr. Devens holds a doctorate of jurisprudence and a bachelor’s degree in business administration from the University of Michigan.

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

Mario Harik has served as our Chief Information Officer since November 2011. Mr. Harik has built comprehensive IT organizations and overseen the implementation of proprietary platforms for a variety of firms and has consulted to members of the Fortune 100. His prior positions include chief information officer and senior vice president—research

and development with Oakleaf Waste Management; chief technology officer with Tallan, Inc.; co-founder of G3 Analyst, where he served as chief architect of web and voice applications; and architect and consultant with Adea Solutions. Mr. Harik holds a master of engineering degree in information technology from Massachusetts Institute of Technology, and a degree in engineering, computer and communications from the American University of Beirut, Lebanon.

Corporate Information and Availability of Reports

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

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

Item 1A. Risk Factors

Cautionary Statement Regarding Forward-Looking Statements

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

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

The transportation industry historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in business cycles of our customers, increases in prices charged by third-party carriers, interest rate fluctuations and other U.S. and global economic factors beyond our control. During economic downturns, reduced overall demand for transportation services will likely reduce demand for our services and exert downward pressures on rates and margins. In periods of strong economic growth, demand for limited transportation resources can result in increased network congestion and resulting operating inefficiencies. In addition, deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and cause us to not reach our long-term growth goals. These risks may include the following:

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

rapid change, it is more difficult to match our staffing level to our business needs. In addition, we have other primarily variable expenses that are fixed for a period of time and certain significant fixed expenses, and we may not be able to adequately adjust them in a period of rapid change in market demand.

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

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

- competition with other transportation services companies, some of which offer different services or have a broader coverage network, more fully developed information technology systems and greater capital resources than we do;
- reduction by our competitors of their rates to gain business, especially during times of declining economic growth, which reductions may limit our ability to maintain or increase rates, maintain our operating margins or maintain significant growth in our business;
- solicitation by shippers of bids from multiple transportation providers for their shipping needs and the resulting depression of freight rates or loss of business to competitors;
- establishment by our competitors of cooperative relationships to increase their ability to address shipper needs;
- our current or prospective customers may decide to develop internal capabilities for some of the services that we provide; and
- the development of new technologies or business models could result in our disintermediation in certain businesses, such as freight brokerage.

Our profitability may be materially adversely impacted if our investments in equipment, service centers and warehouses do not match customer demand for these resources or if there is a decline in the availability of funding sources for these investments.

Our LTL and full truckload operations require significant investments in revenue equipment, and our LTL operations also require significant investments in freight service centers. The amount and timing of capital investments depend on various factors, including anticipated volume levels and the price and availability of appropriate-use property for service centers and newly-manufactured tractors (which are subject to restrictive Environmental Protection Agency engine-design requirements). If anticipated service center and/or fleet requirements differ materially from actual usage, our capital-intensive business units, specifically LTL and full truckload, may have too much or too little capacity. We attempt to mitigate the risk associated with too much or too little revenue equipment capacity by adjusting capital expenditures and by utilizing short-term equipment rentals and sub-contracted operators in order to match capacity with business volumes. Our investments in revenue equipment and LTL service centers depend on our ability to generate cash flow from operations and our access to credit, debt and equity capital markets. A decline in the availability of these funding sources could adversely affect us.

With respect to our contract logistics operations, implementing warehouse-management services for customers can require a significant commitment of capital in the form of shelving, racking and other warehousing systems. In the event that we are not able to fully amortize the cost of the capital across the term of the related customer agreement, or to the extent that the customer defaults on its obligations under the agreement, we could be forced to take a significant loss on the unrecovered portion of this capital cost.

The significant acquisitions we have recently completed, including acquisitions of non-U.S.-based companies, put us at a heightened risk for failures in internal controls, which could have a material adverse effect on our revenue, earnings, financial position and outlook.

We have grown significantly through acquisitions, including the ND and Con-way acquisitions in 2015. ND’s business was headquartered in France and primarily operated in Europe and Asia; accordingly, it was subject to different standards and rules than U.S. public companies. Effective internal controls over financial processes and reporting are necessary for us to provide reliable financial reports and to operate successfully. Our efforts to implement or revise internal control systems in our acquired businesses, including particularly ND, may not be successful or such implementation or revisions may not be completed on the timeline we expect. Any failure in internal controls could have a material adverse effect on our revenue, earnings, financial position and outlook.

Anticipated synergies from any acquisitions that we have undertaken may not materialize in the expected timeframe or at all.

Our 2016 and mid-term financial targets are dependent on our ability to realize significant synergies with respect to our recent acquisitions, especially the October 2015 Con-way acquisition. We may not realize any or all of the synergies that we currently anticipate from any acquisitions that we have undertaken. Among the synergies that we currently expect are cross-selling

opportunities to existing customers of XPO and the companies we have acquired, network synergies and other operational synergies. Our estimated synergies from any acquisitions that we have undertaken are subject to a number of assumptions about the timing, execution and costs associated with realizing such synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we currently estimate and we may incur significant costs in reaching the estimated synergies. We may not be successful in integrating some or all these businesses as currently anticipated, which may have a material adverse effect on our business and operations.

We may not successfully manage our growth.

We have grown rapidly and substantially over the prior four years, including by expanding our internal resources, making acquisitions and entering into new markets, and we intend to continue with rapid growth, primarily organically in 2016. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, change in revenue and business models and entering into new geographic areas.

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

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

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

We are developing proprietary information technology for all of our business segments. Our technology may not be successful or may not achieve the desired results. We may require additional training or different personnel to successfully implement this system, all of which may result in additional expense, delays in obtaining results or disruptions to our operations. In addition, acquired companies will need to be on-boarded onto our technology, which

may cause additional training or licensing cost and disruption. In such event, our revenue, financial results and ability to operate profitably could be negatively impacted. The challenges associated with integration of our acquisitions may increase these risks.
Our substantial indebtedness could adversely affect our financial condition.
As of December 31, 2015, we had approximately $5,407.9 million of total indebtedness and unused commitments of $1.0 billion under our Second Amended and Restated Revolving Loan Credit Agreement (less $240.6 million in outstanding letters of credit), the availability of which is subject to certain conditions including its borrowing base availability. We incurred this indebtedness in connection with the ND and Con-way acquisitions and for general corporate purposes. As of December 31, 2015, we had cash and cash equivalents of $289.8 million. We have substantial outstanding indebtedness, which could:

- negatively affect our ability to pay principal and interest on our debt or dividends on our Series A Preferred Stock;

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

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

Under the terms of our outstanding indebtedness, we may not be able to incur substantial additional indebtedness in the future, which could further exacerbate the risks described above.

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

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

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

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

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

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

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

- equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads;

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

Increases in driver compensation and difficulties attracting and retaining drivers could adversely affect our revenues and profitability.

Our LTL and full truckload operations are conducted primarily with employee drivers. Recently, there has been intense competition for qualified drivers in the transportation industry due to a nationwide shortage of drivers. The availability of qualified drivers may be affected from time to time by changing workforce demographics, competition from other transportation companies and industries for employees, the availability and affordability of driver training schools, changing industry regulations, and the demand for drivers in the labor market. If the industry-wide shortage of qualified drivers continues, these business lines will likely continue to experience difficulty in attracting and retaining enough qualified drivers to fully satisfy customer demands. As a result of the current highly-competitive labor market for drivers, our LTL and full truckload operations may be required to increase driver compensation and benefits in the future, or face difficulty meeting customer demands, all of which could adversely affect our profitability. Additionally, a shortage of drivers could result in underutilization of our truck fleet, lost revenue, increased costs for purchased transportation or increased costs for driver recruitment.

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

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

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

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

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

We are involved in numerous lawsuits, including putative class action lawsuits, multi-plaintiff and individual lawsuits, and state tax and other administrative proceedings that claim that the Company’s contract carriers or owner-operators or their drivers should be treated as our employees, rather than independent contractors, or that certain of the Company’s drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. We incur certain costs, including legal fees, in defending the status of these parties as independent contractors. While we believe that our contract carriers and owner-operators and their drivers are properly classified as independent contractors rather than as employees, adverse decisions have been rendered recently in certain cases pending against us, including with respect to class certification of certain contract carriers and determinations that certain of our contract carriers and owner-operators are improperly classified. Certain of these decisions are subject to

appeal, but we cannot provide assurance that we will determine to pursue any appeal or that any such appeal will be successful. Adverse final outcomes in these matters could, among other things, entitle certain of our contract carriers and owner-operators and their drivers to reimbursement with respect to certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for us, and could result in changes to the independent contractor status of our contract carriers and owner-operators. Changes to state laws governing the definition of independent contractors could also impact the status of our contract carriers and owner-operators. Adverse final outcomes in these matters or changes to state laws could cause us to change our business model, which could have a material adverse effect on our business strategies, financial condition, results of operations or cash flows. These claims involve potentially significant classes that could

involve thousands of claimants and, accordingly, significant potential damages and litigation costs, and could lead others to bring similar claims.
The independent contractor misclassification matters in which we are currently engaged involve companies that we acquired. Pursuant to the purchase agreements by which we acquired certain private companies, the former owners have agreed to indemnify us for costs and liabilities related to such class action and individual lawsuits, subject to certain limits, and we have retained purchase price holdbacks and escrows as security for such indemnification. Other than with respect to acquisitions for which our acquisition accounting measurement period remains open, we believe that we have adequate purchase price holdbacks or escrows with respect to the potential impact of loss contingencies involving classification matters that are probable and reasonably estimable. However, such holdbacks or escrows may be insufficient to protect us against the full amount of the indemnified liability, in which case we would need to fund any losses from our available liquidity sources. To the extent that we do not have indemnification rights with respect to any such liabilities, or we are unable to collect under any such indemnification agreements, any payments will require utilization of our funds and establishment of reserves.
We do not currently expect any of these matters or these matters in the aggregate to have a material adverse effect on our results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty and an unfavorable resolution of one or more of these matters, or our failure to recover, in full or in part, under the indemnity provisions noted above, could have a material adverse effect on our financial condition, results of operations or cash flows.
Intermodal Drayage Classification Claims
Certain of the Company’s intermodal drayage subsidiaries received notices from the California Labor Commissioner, Division of Labor Standards Enforcement (the “DLSE”), that a total of approximately 150 owner operators contracted with these subsidiaries filed claims in 2012 with the DLSE in which they assert that they should be classified as employees, as opposed to independent contractors. These claims seek reimbursement for the owner operators’ business expenses, including fuel, tractor maintenance and tractor lease payments. After a decision was rendered by a DLSE hearing officer in seven of these claims, in 2014, the Company appealed the decision to California Superior Court, San Diego, where a de novo trial was held on the merits of those claims. On July 17, 2015, the court issued a final statement of decision finding that the seven claimants were employees rather than independent contractors, and awarding an aggregate of $2.9 million plus post-judgement interest and attorneys’ fees to the claimants. The Company appealed this judgment, but cannot provide assurance that such appeal will be successful. The remaining DLSE claims (the “Pending DLSE Claims”) have been transferred to California Superior Court in three separate actions involving approximately 200 claimants, including the approximately 150 claimants mentioned above. These matters are in the initial procedural stages. The Company believes that it has adequately accrued for the potential impact of loss contingencies relating to the Pending DLSE Claims that are probable and reasonably estimable. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of the Pending DLSE Claims.
One of these intermodal drayage subsidiaries also is a party to a putative class action litigation (Manuela Ruelas Mendoza v. Pacer Cartage, Inc.) brought by Edwin Molina on August 19, 2013 and currently pending in the U.S. District Court, Southern District of California. Mr. Molina asserts that he should be classified as an employee, as opposed to an independent contractor, and seeks damages for alleged violation of various California wage and hour laws. Mr. Molina seeks to have the litigation certified as a class action involving all owner-operators contracted with this subsidiary at any time from August 2009 to the present, which could involve as many as 600 claimants. Certain of these potential claimants also may have Pending DLSE Claims. This matter is in the initial stages of discovery and the court has not yet determined whether to certify the matter as a class action. The Company has reached an agreement to settle this litigation with the claimant. The settlement agreement has been approved by the court but remains subject to acceptance by a minimum percentage of members of the purported class. There can be no assurance that the settlement agreement will be accepted by the requisite percentage of members of the purported class.
Another of the Company’s intermodal drayage subsidiaries is a party to a putative class action litigation (C. Arevalo v. XPO Port Services, Inc.) brought by Carlos Arevalo in the Superior Court for the State of California, County of Los Angeles Central District filed in August 2015. Mr. Arevalo asserts that he should be classified as an employee, as

opposed to an independent contractor, and seeks damages for alleged violation of various California wage and hour laws. Mr. Arevalo seeks to have the litigation certified as a class action involving all owner-operators contracted with this subsidiary at any time from August 2011 to the present. Certain of these potential claimants also may have Pending DLSE Claims. This matter is in the initial pleading stage and the court has not yet determined whether to certify the matter as a class action. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, that it may incur as a result of this matter.

Last Mile Logistics Classification Claims

Certain of the Company’s last mile logistics subsidiaries are party to several putative class action litigations brought by independent contract carriers contracted with these subsidiaries in which the contract carriers assert that they should be classified as employees, as opposed to independent contractors. The particular claims asserted vary from case to case, but the claims generally allege unpaid wages, overtime, alleged failure to provide meal and rest periods and seek reimbursement of the

contract carriers' business expenses. Putative class actions against the Company's subsidiaries are pending in Massachusetts (Celso Martins, Alexandre Rocha, and Calvin Anderson v. 3PD, Inc. filed in June 2011, pending in U.S. District Court, Massachusetts), Illinois (Marvin Brandon, Rafael Aguilera, and Aldo Mendez-Etzig v. 3PD, Inc. filed in May 2013, pending in U.S. District Court, Northern District of Illinois), California (Cesar Ardon et al v 3PD, Inc., filed in September 2013, pending in U.S. District Court, Central District of California and Fernando Ruiz v. Affinity Logistics Corp., filed in May 2005, pending in U.S. District Court, Southern District of California), New Jersey (Leonardo Alegre v. Atlantic Central Logistics, Simply Logistics, Inc., filed in March 2015, pending in U.S. District Court, New Jersey), Pennsylvania (Victor Reyes v. XPO Logistics, Inc., filed in May 2015, pending in U.S. District Court, Pennsylvania) and Connecticut (Carlos Taveras v. XPO Last Mile, Inc., filed in November 2015, pending in U.S. District Court, Connecticut). The Company has completed the settlement of the California (Ardon) litigation. The Company also has reached tentative agreements to settle the Massachusetts and Illinois litigations with the respective claimants, subject to court approval (in the case of the Massachusetts litigation) and acceptance by a minimum percentage of members of the respective purported class. There can be no assurance that the settlement agreements will be finalized and executed, that the respective court will approve any such settlement agreement or that it will be accepted by the requisite percentage of members of the respective purported class. The Company believes that it has adequately accrued for the potential impact of loss contingencies relating to the foregoing last mile logistics claims. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of these claims.

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

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

Our European business heavily relies on subcontracting and we use a large number of temporary employees in these operations. Any failure to properly manage our subcontractors or temporary employees in Europe could have a material adverse impact on XPO Logistics Europe's revenues, earnings, financial position and outlook.

We operate in Europe through our majority-owned subsidiary, XPO Logistics Europe SA. Subcontracting plays a key role in our European operations and we subcontract approximately 40% of our transport operations there. We are therefore exposed to various risks arising from managing our subcontractors, such as the risk that they do not fulfill their assignments in a satisfactory manner or within the specified deadlines. Such failures could compromise our ability to honor our commitments to customers, comply with applicable regulations or otherwise meet customers' expectations. In some situations, poor execution of services by our subcontractors could result in a customer terminating a contract. Such failures by subcontractors could harm our reputation and ability to win new business and could lead to our being liable for contractual damages. Furthermore, in the event of a failure by our subcontractors, we could be required to perform unplanned work or additional services in line with the contracted service, without receiving any additional compensation. Lastly, some of our subcontractors in Europe may not be insured, or may not have sufficient resources available to handle any claims from customers resulting from potential damage and losses relating to their performance of services on our behalf. As a result, non-compliance with their contractual or legal obligations by our subcontractors may have a material adverse effect on XPO Logistics Europe's business and financial condition.

XPO Logistics Europe also makes significant use of temporary staff. We cannot guarantee that temporary employees are as well-trained as our other employees. Specifically, we are exposed to the risk that temporary employees do not perform their assignments in a satisfactory manner or do not comply with our safety rules in an appropriate manner,

such as due to their lack of experience, which may cause harm to goods and people. If such risks materialize, they could have a material adverse effect on our business and financial condition.

Our business may be materially adversely affected by labor disputes.

Our business in the past has been and in the future could be adversely affected by strikes and labor renegotiations affecting seaports, labor disputes between railroads and their union employees, or by a work stoppage at one or more railroads or local trucking companies servicing rail or port terminals, including work disruptions involving owner operators under contract with our local trucking operations. Port shutdowns and similar disruptions to major points in the transportation network, most of which are beyond our control, could result in terminal embargoes, disrupt equipment and freight flows, depress volumes and revenues, increase costs and have other negative effects on our operations and financial results.

XPO Logistics Europe's business activities require a significant amount of labor, which represents one of our main costs, and it is essential that we maintain good relations with employees, trade unions and other staff representative institutions. A deteriorating economic environment may result in tensions in industrial relations, which may lead to industrial action within our European operations that could have a direct impact on customer services. Generally, any deterioration in industrial relations could have an adverse effect on XPO Logistics Europe's revenues, earnings, financial position, and outlook.

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

Labor disputes involving our customers could affect our operations. If our customers are unable to negotiate new labor contracts and our clients' plants experience slowdowns or closures as a result, our revenue and profitability could be negatively impacted. The employees of our customers, suppliers and other service providers may be, or may in the future be, unionized and there may be strikes, lock outs or material labor disputes with respect to our customers or their suppliers in the future that materially affect our performance.

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

Efforts by labor organizations to organize our employees may result in reduced operational flexibility and impair our ability to quickly respond to market conditions.

The International Brotherhood of Teamsters union (the "Teamsters") and certain other unions have made organizing attempts at a small number of our LTL locations in the United States. The outcomes of those efforts have generally resulted in rejection of union representation, although a very small percentage of our LTL employees have selected Teamsters representation. As of December 31, 2015, elections at only two facilities have been certified in favor of Teamsters union representation out of our nearly 280 LTL operating locations. Further unionizing efforts by the Teamsters or certain other unions are likely to continue, and we cannot predict with certainty whether that activity will result in the unionization of any additional LTL or other business unit locations. A unionized workforce domestically could potentially result in reduced operational flexibility and impair our ability to quickly respond to market conditions with innovative solutions for customers.

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

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

In one such lawsuit, the Company is a party to a putative class action litigation (Leung v. XPO Logistics, Inc., filed in May 2015 in the U.S. District Court, Illinois) alleging violations of the Telephone Consumer Protection Act (TCPA) related to an automated customer call system used by a last mile logistics business that the Company acquired. The

Company has asserted indemnity rights pursuant the agreement by which it acquired this business, subject to certain limits. This matter is in the initial pleading stage and the court has not yet determined whether to certify the matter as a class action. The Company believes that it has adequately accrued for the potential impact of loss contingencies relating to this matter. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of this matter.

An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on the Company.
We use a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of employee medical, vehicular, cargo and workers' compensation claims. Our estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a high degree of variability. We periodically evaluate the level of insurance coverage and adjust insurance levels based on targeted risk tolerance and premium expense. An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us. We have a captive insurance company that participates in a reinsurance pool to reinsure a portion of our workers' compensation and other claims. Each company that participates in the pool cedes premiums and claims to the pool and assumes premiums and claims from the pool. The operating results of the captive insurance company are affected by the number and/or severity of claims and the associated premiums paid or received. Our financial condition, results of operations and cash flows could be adversely affected by the risk assumed and ceded by the captive insurance company. In addition, these captive insurance companies are subject to financial and insurance regulation by a foreign regulatory authority and changes in these applicable regulations could affect our liquidity and asset allocation with our captive insurance companies.
We expect costs associated with providing benefits under employee medical plans and postretirement medical plans to increase due to health care reform legislation. Changes made to the design of our medical plans have the potential to mitigate some of the cost impact of the provisions included in the legislation. Ultimately, the cost of providing benefits under our medical plans is dependent on a variety of factors, including governmental laws and regulations, health care cost trends, claims experience and health care decisions by plan participants. As a result, we are unable to predict how the cost of providing benefits under medical plans will affect our financial condition, results of operations or cash flows.
We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position.
Following our acquisitions of ND and Con-way, we now maintain defined benefit pension plans and a postretirement medical plan. Our defined benefit pension plans include funded and unfunded plans in the United States and the United Kingdom. A decline in interest rates and/or lower returns on funded plan assets may cause increases in the expense and funding requirements for these defined benefit pension plans and for our postretirement medical plan. Despite past amendments that froze our defined benefit pension plans to new participants and curtailed benefits, these pension plans remain subject to volatility associated with interest rates, inflation, returns on plan assets, other actuarial assumptions and statutory funding requirements. In addition to being subject to volatility associated with interest rates, our postretirement medical plan remains subject to volatility associated with actuarial assumptions and trends in healthcare costs. Any of the aforementioned factors could lead to a significant increase in the expense of these plans and a deterioration in the solvency of these plans, which could significantly increase the Company’s contribution requirements. As a result, we are unable to predict the effect on our financial statements associated with our defined benefit pension plans and our postretirement medical plan.
Because of our floating rate credit facility, we may be adversely affected by interest rate changes.
On October 30, 2015, in connection with the Con-way acquisition, we entered into (1) a senior secured term loan credit agreement (the “Term Loan Facility”), which provided for a single borrowing of $1.6 billion, and (2) the Second Amended and Restated Revolving Loan Credit Agreement (the “ABL Facility”) that increased the commitment to $1.0 billion. Both the ABL Facility and the Term Loan Facility provide for an interest rate based on LIBOR or a Base Rate, as defined in the agreements, plus an applicable margin. Our financial position may be affected by fluctuations in interest rates since the Term Loan Facility and ABL Facility are subject to floating interest rates. A hypothetical 100-basis-point increase in the interest rate would increase our annual interest expense by $16.0 million under the Term Loan Facility and by $10.0 million under the ABL facility assuming that the full $1.0 billion was drawn. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could have an adverse effect on our financial position and results of operations.

As a result of the ND and Con-way acquisitions, XPO is more exposed to currency exchange rate fluctuations because the combined company has an increased proportion of its assets, liabilities and earnings denominated in foreign currencies as compared to XPO prior to these acquisitions.

Prior to the ND acquisition, substantially all of XPO’s operations were conducted in U.S. dollars. The ND and Con-way acquisitions significantly increased the potential impact of currency exchange rate fluctuations on our business. As a result of the ND acquisition, the financial results of the combined company are more exposed to currency exchange rate fluctuations and an increased proportion of our assets, liabilities and earnings are denominated in non-U.S. dollar currencies. The Con-way acquisition also increased our exposure to currency exchange rate fluctuations as a portion of Con-way’s historic revenues were derived outside the U.S. Despite our efforts to manage the volatility related to exposure to fluctuations in foreign currencies through the use of derivative instruments, there can be no assurance that these risks are fully mitigated by our hedging program.

We present our financial statements in U.S. dollars but we have a significant proportion of our net assets and income in non-U.S. dollar currencies, primarily the euro and pounds sterling (“GBP”). Consequently, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on our financial results. As further discussed below under Item 7A. Quantitative and Qualitative Disclosures about Market Risk, as of December 31, 2015, the result of a uniform 10% strengthening in the value of the U.S. dollar relative to the euro would have resulted in a decrease in net assets of approximately $31.1 million, and a uniform 10% strengthening in the value of the U.S. dollar relative to the GBP would have resulted in a decrease in net assets of approximately $53.9 million.
The economic uncertainties relating to eurozone monetary policies may cause the value of the euro to fluctuate against other currencies. Currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or in Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in currency exchange rates could adversely affect our business and financial condition and the business of the combined company.
We may not be able to successfully execute our growth strategy through acquisitions.
While our primary focus in 2016 is on integrating our recent acquisitions, in the mid- to long-term, we may continue to expand through acquisitions to take advantage of market opportunities we perceive in our current markets (transportation and logistics) as well as new markets that we may enter. However, if we choose to make acquisitions in the future, we may experience delays or be unable to make the acquisitions we desire for a number of reasons. Suitable acquisition candidates may not be available at purchase prices that are attractive to us or on terms that are acceptable to us. In pursuing acquisition opportunities, we will compete with other companies, some of which have greater financial and other resources than we do.
We are unable to predict the size, timing and number of acquisitions we may complete. In addition, we may incur expenses associated with sourcing, evaluating and negotiating acquisitions (including those that are not completed), and we also may pay fees and expenses associated with obtaining financing for acquisitions and with investment banks and others finding acquisitions for us. Any of these amounts may be substantial, and together with the size, timing and number of acquisitions we pursue, may negatively impact us and cause significant volatility in our financial results.
Sales or issuances of a substantial number of shares of our common stock may adversely affect the market price of our common stock.
We may fund any future acquisitions or our capital requirements from time to time, in whole or part, through sales or issuances of our common stock or equity-based securities, subject to prevailing market conditions and our financing needs. Future equity financing will dilute the interests of our then-existing stockholders, and future sales or issuances of a substantial number of shares of our common stock or other equity-related securities may adversely affect the market price of our common stock.
We do not own, and may not acquire, all of the outstanding shares of XPO Logistics Europe SA, the majority-owned subsidiary through which we conduct our European operations.
We currently own 86.25% of the outstanding shares of XPO Logistics Europe, the majority-owned subsidiary through which we conduct our European operations. We may not acquire the remaining shares of XPO Logistics Europe. French law only permits “squeeze out” mergers when a holder owns more than 95% of the outstanding shares. If we do not wholly-own XPO Logistics Europe, we will not have access to all of its cash flow to service our debt, as any dividends will be required to be declared pro rata. In addition, we will be subject to limitations on our ability to enter into transactions with XPO Logistics Europe that are not on arms-length terms, which could limit synergies that we could otherwise achieve between our North American and European operations. We also may not be able to consolidate XPO Logistics Europe for tax purposes, and XPO Logistics Europe would be forced to continue as a listed public company in France, thereby incurring certain recurring costs.
Changes in our relationships with our significant customers, including the loss or reduction in business from one or more of them, could have an adverse impact on us.
No single customer accounted for more than 2% of our consolidated pro forma revenue for 2015. We do not believe the loss of any single customer would materially impair our overall financial condition or results of operations;

however, collectively, some of our large customers might account for a relatively significant portion of the growth in revenue and margins in a particular quarter or year. Our contractual relationships with customers generally are terminable at will by the customers on short notice and do not require the customer to provide any minimum commitment. Our customers could choose to divert all or a portion of their business with us to one of our competitors, demand rate reductions for our services, require us to assume greater liability that increases our costs, or develop their own logistics capabilities. Failure to retain our existing customers or enter into relationships with new customers could materially impact the growth in our business and the ability to meet our current and long-term financial forecasts.

Volatility in fuel prices impacts our fuel surcharge revenues and may impact our profitability.
We are subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of our control.
We would be adversely affected by an inability to obtain fuel in the future. Although, historically, we have been able to obtain fuel from various sources and in the desired quantities, there can be no assurance that this would continue to be the case in the future.
Fuel expense constitutes one of the greatest costs to our LTL and full truckload carrier operations, as well as to our fleet of independent contractor drivers and third-party transportation providers who complete the physical movement of freight arranged by our other business operations. Accordingly, we may be adversely affected by the timing and degree of fluctuations and volatility in fuel prices. As is customary in our industry, most of our customer contracts include fuel-surcharge revenue programs or cost-recovery mechanisms to mitigate the effect of the fuel prices increase over base amounts established in the contract. However, these fuel surcharge mechanisms may not capture the entire amount of the increase in fuel prices, and they also feature a lag between the payment for fuel and collection of the surcharge revenue. Market pressures may limit our ability to assess fuel surcharges in the future. The extent to which we are able to recover in full for fuel costs changes may also vary depending on the degree to which we are not compensated due to empty and out-of-route miles or from engine idling during cold or warm weather.
Decreases in fuel prices reduce the cost of transportation services and accordingly, will reduce our revenues and may reduce margins for certain lines of business. Significant changes in the price or availability of fuel in future periods, or significant changes in our ability to mitigate fuel price increases through the use of fuel surcharges, could have a material adverse impact on our operations, fleet capacity and ability to generate both revenues and profits.
Our intermodal business may be affected by any adverse change to relationships with railroad service providers upon the expiration or renewal of such contracts.
The rail contracts supporting our intermodal operations, which have varied expiration dates, contain specific contract rates and other negotiated provisions that enable us to provide competitive transportation rates and services to our customers. A loss of one or more of these rail contracts, or failure to enter into renewal or replacement contracts with comparably favorable terms upon expiration of the current contracts, could materially adversely affect our business, results of operations and cash flows. While we expect to be able to continue to obtain competitive terms and conditions from our railroad vendors, no assurance can be given that such terms and conditions will be comparable to those in our current rail contracts.
In addition, Union Pacific is a primary supplier and servicer of the 53-foot containers used in our business, as well as the chassis used on the Union Pacific network. We have the ability under our arrangements with Union Pacific to increase or decrease our equipment fleet periodically. The refusal or failure of Union Pacific to provide us with additional containers and chassis when required, or to allow us to return excess equipment when requested, or our failure to adequately and timely service the containers or chassis we use, could have an adverse effect on our business and results of operations.
Network changes, lane closures, carrier consolidation, and other reductions or deterioration in rail services could increase costs, decrease demand for our intermodal services and adversely affect our operating results.
Most of the intermodal transportation services that we provide depend on the major railroads in the United States and Mexico, which in many markets is limited to a few railroads or even a single railroad. As a result, any reduction, suspension, interruption or elimination of rail service to a particular market may limit our ability to serve some of our customers. Furthermore, reductions in service by the railroads are likely to increase the cost of the rail-based services that we provide and potentially reduce the reliability, timeliness, and overall attractiveness of our intermodal product. Increases in the cost of rail service reduce some of the advantages of intermodal transportation compared to truck and other transportation modes, which may reduce demand for our intermodal services. Rail consolidations in the past have caused service disruptions and would further reduce service choices and bargaining power for rail customers. Further consolidation among railroads might adversely affect intermodal transportation and our results of operations. From time to time, our railroad suppliers have experienced train resource shortages, operating inefficiencies, and high demand for rail transportation that resulted in increased transit times, terminal congestion, and decreased equipment velocity, all of which increase our costs, decrease equipment capacity, impact customer service, and create a

challenging operating environment. To the extent that we rely on rail carriers that experience poor service performance, demand for our intermodal services may be adversely affected.

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

As a result of our regular review of the carrying value of our assets, we may in the future be required to recognize impairment charges, potentially in significant amounts. Changes in business strategy, rebranding efforts, government regulations, economic

or market conditions, or our operating performance may result in substantial impairments of intangible, fixed or other assets at any time in the future, including with respect to our acquired businesses. While such impairment charges would not impact our cash position, such charges could significantly reduce our net income.

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

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

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

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

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

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

Seasonality affects our operations and profitability.

The transportation industry experiences seasonal fluctuations. Our results of operations are typically lower for the first quarter of the calendar year relative to our other quarters. We believe this is due in part to the post- holiday reduction in demand experienced by many of our customers, which leads to more capacity in the non-expedited and

service-critical markets and, in turn, less demand for expedited and premium shipping services. In addition, the productivity of our independent contractors and transportation providers generally decreases during the winter season because inclement weather impedes operations.

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

As a result of the potential for terrorist attacks, federal, state and municipal authorities have implemented and continue to follow various security measures, including checkpoints and travel restrictions on trucking and rail routes and security screenings of air cargo on passenger aircraft and international containers. Such measures may reduce the productivity of our

independent contractors and transportation providers or increase the costs associated with their operations, which we could be forced to bear. War, risk of war or a terrorist attack also may have an adverse effect on the economy. A decline in economic activity could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war also could impact our ability to raise capital or to refinance our indebtedness. In addition, the insurance premiums charged for some or all of the coverage currently maintained by us could increase dramatically or such coverage could be unavailable in the future.

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

Our Chairman and Chief Executive Officer, Mr. Bradley S. Jacobs, controls, as the managing member of Jacobs Private Equity, LLC ("JPE"), (i) 67,500 shares of our Series A Convertible Perpetual Preferred Stock, which are initially convertible into an aggregate of 9,642,857 shares of our common stock, and (ii) 9,642,857 warrants initially exercisable for an aggregate of 9,642,857 shares of our common stock at an exercise price of $7.00 per share. Mr. Jacobs also directly owns 105,016 shares of our common stock and has employee stock options and restricted stock units convertible into an additional 545,029 shares of our common stock. Under applicable SEC rules, Mr. Jacobs beneficially owns approximately 15% of our outstanding common stock as of December 31, 2015. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders. Our preferred stock votes together with our common stock on an "as-converted" basis on all matters, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of shares of the preferred stock. Accordingly, Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of our largest stockholders, including JPE, could impact the volume of trading, liquidity and market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2015, XPO and its subsidiaries operated approximately 1,451 locations, primarily in North America and Europe, including 201 locations owned or leased by our customers. These facilities are located in all 48 states of the contiguous United States as well as globally.

We lease our current executive office located in Greenwich, Connecticut, as well as our national operations centers in Charlotte, North Carolina and Dublin, Ohio. As of December 31, 2015, we owned the shared-services center in Portland, Oregon, the headquarters for our full truckload business in Joplin, Missouri, and the facility at which we conduct a portion of our expedited transportation operations in Buchanan, Michigan. In addition, we owned approximately 146 freight service centers for our LTL business. We believe that our facilities are sufficient for our current needs and are in good condition in all material respects.

ITEM 3. LEGAL PROCEEDINGS

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business. These proceedings may include, among other matters, claims for property damage or personal injury incurred in connection with the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contract. These proceedings also include numerous purported class-action lawsuits, multi-plaintiff and individual lawsuits and state tax and other administrative proceedings that claim either that our owner operators or contract carriers should be treated as employees, rather than independent contractors, or that certain of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks.

We are currently engaged in several alleged independent contractor misclassification claims or other wage and hour claims involving certain companies that we have acquired in our last mile, LTL, full truckload, and intermodal businesses. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. For additional information about these matters, please refer to Note 5—Commitments and Contingencies of Item 8, "Financial Statements and Supplementary Data."

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Price Range of Common Stock

Our common stock is traded on NYSE under the symbol "XPO." The table below provides the high and low closing sales prices for our common stock for the quarters included within 2015 and 2014.

	High	Low
2014		
1st quarter	$32.51	$23.90
2nd quarter	30.50	23.24
3rd quarter	39.72	26.03
4th quarter	42.48	31.85
2015		
1st quarter	$47.26	$35.57
2nd quarter	50.56	41.58
3rd quarter	46.74	21.62
4th quarter	33.50	25.04

As of February 26, 2016, there were approximately 272 record holders of our common stock, based upon data available to us from our transfer agent. We have never paid, and have no immediate plans to pay, cash dividends on our common stock. We currently plan to retain future earnings and cash flows for use in the development of our business and to enhance stockholder value through growth and continued focus on improving profitability rather than for paying dividends on our common stock. In addition, our current credit agreement imposes, and we expect that any future credit agreement we enter into will impose, restrictions on our ability to pay cash dividends on our common stock. Accordingly, we do not anticipate paying any cash dividends on our common stock in the near future. Future payment of dividends on our common stock would depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors.

The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns of the Russell 2000 Index and the Dow Jones Transportation Average Index. The graph tracks the performance of a $100 investment in our common stock and in each index from December 31, 2010 to December 31, 2015.

	12/10	12/11	12/12	12/13	12/14	12/15
XPO Logistics, Inc.	$100	$121	$170	$257	$399	$266
Russell 2000	$100	$95	$108	$148	$154	$145
Dow Jones Transportation Average	$100	$98	$104	$145	$179	$147

Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended December 31, 2015, the Company issued an aggregate of 803,356 shares of its common stock, par value $0.001 per share, to certain holders of the Company’s Convertible Notes in connection with the conversion of $13.2 million aggregate principal amount of the Convertible Notes. The number of shares of our common stock issued in the foregoing transactions equals the number of shares of our common stock presently issuable to holders of the Convertible Notes upon conversion under the original terms of the Convertible Notes. The issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof, as a transaction by an issuer not involving any public offering. The Company did not receive any proceeds from the above transactions. For additional information, refer to Note 9—Debt, of Item 8, “Financial Statements and Supplementary Data.”

During the year ended December 31, 2015, pursuant to the Investment Agreement dated as of June 13, 2011 (the “Investment Agreement”), by and among Jacobs Private Equity, LLC (“JPE”), and the other investors party thereto (collectively with JPE, the “Investors”), the Company issued 102,712 unregistered shares of its common stock as a result of the exercise of warrants by certain shareholders. The Company received total proceeds of $0.7 million as a result of the exercise of warrants, which will be used for general corporate purposes. The issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof, as a transaction by an issuer not involving any public offering.

As previously disclosed in the Company's Current Report on Form 8-K filed with the SEC on June 1, 2015, as amended on June 26, 2015, the Company issued 562,525 shares of Series C Convertible Perpetual Preferred Stock (“Series C Preferred Stock”) in a private placement on May 29, 2015. At a Special Meeting of the Company's Stockholders held on September 8, 2015, the stockholders of the Company approved the issuance of 12,500,546 shares of the Company's common stock upon the conversion of 562,525 shares of the Company's outstanding Series C Preferred Stock. Immediately following the Special Meeting, on September 8, 2015, 562,525 shares of Series C Preferred Stock were automatically converted into 12,500,546 shares of the Company's common stock. No additional consideration was received by the Company in connection with the conversion of the Series C Preferred Stock into the Company's common stock. The issuance and sale of the Series C Preferred Stock and the issuance of the Company's common stock in connection with the conversion of the Series C Preferred Stock are exempt from registration under the Securities Act, pursuant to Section 4(a)(2) of the Securities Act, or any state securities laws. See Note 12 —Stockholders’ Equity to the Consolidated Financial Statements for additional information regarding the Series C Preferred Stock.

ITEM 6. SELECTED FINANCIAL DATA

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

XPO Logistics, Inc.

(In millions, except per share data)

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Consolidated Statements of Operations Data:					
Revenue	$7,623.2	$2,356.6	$702.3	$278.6	$177.1
Net revenue [a]	3,451.8	654.8	123.6	40.8	29.8
Net (loss) income	(191.6)	(63.6)	(48.5)	(20.3)	0.8
Preferred stock beneficial conversion charge	(52.0)	(40.9)	—	—	(44.2)
Cumulative preferred dividends	(2.8)	(2.9)	(3.0)	(3.0)	(1.1)
Net loss attributable to common stockholders	$(245.9)	$(107.4)	$(51.5)	$(23.3)	$(44.6)
Basic loss per share	$(2.65)	$(2.00)	$(2.26)	$(1.49)	$(5.41)
Diluted loss per share	$(2.65)	$(2.00)	$(2.26)	$(1.49)	$(5.41)
Weighted average common shares outstanding					
Basic	92.8	53.6	22.8	15.7	8.2
Diluted	92.8	53.6	22.8	15.7	8.2
Consolidated Balance Sheet Data:					
Working capital	$262.8	$842.8	$67.7	$270.5	$82.1
Total assets	$12,643.2	$2,749.4	$777.1	$409.3	$127.6
Current maturities of long-term debt	$135.3	$1.8	$2.0	$0.5	$1.7
Long-term debt	$5,272.6	$580.3	$178.6	$105.1	$0.5
Preferred stock	$42.0	$42.2	$42.7	$42.8	$42.8
Stockholders' equity	$3,060.8	$1,655.1	$455.9	$245.1	$108.4

Results for the years ended December 31, 2015, December 31, 2014 and December 31, 2011 reflect beneficial conversion charges of $52.0 million on the Series C Preferred Stock, $40.9 million on the Series B Preferred Stock and $44.2 million on the Series A Preferred Stock, respectively, that were recorded as deemed distributions during the third quarter of 2015, the fourth quarter of 2014 and the third quarter of 2011, respectively.

[a] Net revenue is total revenue less the cost of transportation and services. For a reconciliation of net revenue to revenue, please see the XPO Logistics, Inc. Consolidated Statements of Operations on page 55.

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

Cautionary Statement Regarding Forward-Looking Statements

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

Executive Summary

XPO Logistics is a top ten global provider of supply chain solutions. As of December 31, 2015, our integrated network of over 89,000 employees and 1,451 locations operated in 33 countries, and included leading positions in many fast-growing areas of transportation and logistics, representing diverse industry sectors and geographies.
Our service capabilities, capacity and technology enable customers of all sizes to operate their supply chains more efficiently and at lower cost. Among the more than 50,000 customers we served as of December 31, 2015 are many of the world's largest multinational companies, and these companies depend on us to manage their transportation and logistics needs.
We run our business on a global basis, with two segments: Transportation and Logistics. Within each segment, we have built robust service offerings that respond to fast-growing areas of customer demand. All of our businesses operate under the single brand of XPO Logistics.
In our Transportation segment, we hold industry-leading positions in both North America and Europe. In North America, we are the leader in last mile logistics for heavy goods and expedite shipment management, and we are among the largest providers of freight brokerage and intermodal rail and drayage services. As of December 31, 2015, our truck procurement hubs managed relationships with more than 7,000 owner operator trucks under contract for drayage, expedited, last mile and LTL, as well as an additional 38,000 carriers representing approximately 1,000,000 trucks on the road. In addition, we have a growing position in freight forwarding across our global footprint.
In Europe, we operate the largest ground transportation network in our industry. As of December 31, 2015, we owned and leased approximately 7,800 trucks, which gives us control of critical capacity for our customers; a portion of this fleet is assigned to dedicated carriage. Our trucks are also an important part of our freight brokerage network, which includes 3,400 trucks contracted through independent owner operators and access to another 12,000 independent carriers.
In our Logistics segment, we provide a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution, cold chain solutions and other inventory solutions. We perform e-commerce fulfillment, warehousing, reverse logistics, storage, factory support, aftermarket support, manufacturing, distribution and packaging and labeling, as well as optimization services, such as supply chain consulting and production flow management.
As of December 31, 2015, we operated approximately 151 million square feet (14.0 million square meters) of contract logistics facility space globally, with about 65.0 million square feet (6.1 million square meters) of that capacity in the United States, making us a top ten global provider of these services.
In a little more than four years, we have taken XPO from a North American business with $177 million of revenue to a top ten global transportation and logistics company. In September 2011, following the equity investment in the Company led by Bradley S. Jacobs, we put a highly skilled management team in place and began the disciplined execution of a growth strategy to acquire and integrate attractive companies and optimize all XPO operations, with the goal of creating dramatic, long-term value for our customers and shareholders.
We offer customers a compelling range of transportation and logistics solutions:

- Freight Brokerage: the second largest freight brokerage firm in North America based on net revenue; the third largest provider of door-to-door intermodal rail services in North America, with one of the largest U.S. drayage networks, and a leader in cross-border Mexico intermodal;
- Last Mile: the largest provider of home delivery and installation logistics for heavy goods in North America, and a leading last mile provider to the e-commerce industry;
-

Supply Chain: the second largest global provider of contract logistics based on square footage, with one of the largest e-fulfillment platforms in Europe;

- Expedite: the largest manager of time-critical and high-value expedite shipments in North America via ground transportation, air charter and web-based managed transportation services;
- Less-Than-Truckload: the second largest provider of LTL services in North America and a leading provider of LTL services in Western Europe. As of December 31, 2015, the Company's LTL service in North America had

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some of the highest service levels in the industry for on-time performance, offered more next-day and two-day lanes than any other LTL carrier, and covered 99% of U.S. postal codes;
- Full Truckload: a top 20 U.S. carrier and a leading cross-border Mexico ground transportation provider;
- Managed Transportation: a top five global service provider based on the value of XPO's freight under management, which was approximately $2.7 billion as of December 31, 2015; and
- Global Forwarding: a growing provider of global forwarding services.

We believe that our ability to provide customers with integrated, end-to-end supply chain solutions gives us a competitive advantage. Many customers, particularly large companies, are increasingly turning to multi-modal providers to handle their supply chain requirements. We have built XPO to capitalize on this trend, as well as the trend toward outsourcing in both transportation and logistics, the boom in e-commerce, the adoption of just-in-time inventory practices, and the near-shoring in Mexico.

Our customers are served by well-trained employees who understand the importance of world-class service, and who use our leading-edge, proprietary technology to perform their jobs. We have a global team of approximately 1,500 IT professionals who understand how to drive innovation for the benefit of our customers. Our annual investment in technology is among the highest in our industry, because we see the ongoing development of our proprietary technology as being critical to our ability to continually improve customer service and leverage our scale.

Strategy for Growth

XPO Logistics is a top ten global transportation and logistics company, providing cutting-edge supply chain solutions to the most successful companies in the world. We've established leading positions in key areas of transportation and logistics, where there is strong secular demand. We offer our solutions through our highly integrated, multi-modal organization that operates under the single XPO Logistics brand. Our strategy is to optimize our global franchise, execute on opportunities to increase our profitability, and create dramatic long-term value for our customers and shareholders.

Our integrated network includes approximately 89,000 employees at 1,451 locations in 33 countries serving over 50,000 customers. Our global contract logistics platform includes 151 million square feet of facility space. Our global ground transportation network includes approximately 19,000 owned tractors and 47,000 owned trailers, 10,000 trucks contracted through independent owner operations, and access to more than 50,000 independent carriers.

We intend to continue to grow the business in a disciplined manner, and with a compelling value proposition: integrated solutions for any company, of any size, with any combination of supply chain needs.

Recent Developments

Restructuring

In conjunction with various acquisitions, the Company has initiated a cost savings program aimed at restructuring and leveraging the Company's businesses to better serve our customers. This includes facility rationalization, severance programs and eliminating redundancies in the workforce in order to improve efficiency and profitability. For additional information refer to Note 4—Restructuring Charges.

Acquisition of Con-way

On September 9, 2015, the Company entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Con-way Inc. and Canada Merger Corp., a Delaware corporation and wholly owned subsidiary of XPO ("Merger Subsidiary"). Under the terms of the Merger Agreement, XPO caused Merger Subsidiary to commence a cash tender offer (the "Offer") for all of Con-way's outstanding shares of common stock, par value $0.625 per share (the "Shares"), at a purchase price of $47.60 per Share, net to the seller in cash, without interest thereon and less any applicable withholding taxes. Headquartered in Ann Arbor, Michigan, Con-way was a Fortune 500 company with a transportation and logistics network of 582 locations and approximately 30,000 employees serving over 36,000 customers. The aggregate consideration paid in the Offer and Merger Agreement was approximately $2.3 billion, without giving effect to related transaction fees and expenses. The acquisition of Con-way closed on October 30, 2015. For additional information refer to Note 3—Acquisitions.

Financing of Con-way Acquisition

In connection with the completion of the acquisition of Con-way, XPO entered into a new $1.6 billion term loan credit agreement, the proceeds of which were used, together with cash on hand, to finance a portion of the acquisition

consideration as well as other costs and expenses related to the transaction. XPO also entered into a new $1.0 billion asset-based revolving credit facility, which replaced XPO's existing $415.0 million asset-based revolving credit facility. For additional information refer to Note 9—Debt.

Acquisition of Majority Interest in Norbert Dentressangle SA

On June 8, 2015, pursuant to the terms and subject to the conditions of the ND Share Purchase Agreement, Dentressangle Initiatives, Mrs. Evelyne Dentressangle, Mr. Pierre-Henri Dentressangle and Ms. Marine Dentressangle (collectively, the “Sellers”) sold to XPO and XPO purchased from the Sellers (the “Share Purchase”), all of the ordinary shares of ND owned by the Sellers, representing a total of approximately 67% of the share capital of ND and all of the outstanding share subscription warrants granted by ND to employees, directors or other officers of ND and its affiliates. On June 11, 2015, XPO filed with the French Autorité des Marchés Financiers (the “AMF”) a mandatory simplified cash offer (the “Tender Offer”) to purchase all of the remaining outstanding ordinary shares of ND (other than the shares already owned by XPO) at a price of €217.50 per share. On June 23, 2015, the Company received the necessary approvals from the AMF to launch the Tender Offer and the Tender Offer was launched on June 25, 2015. The Tender Offer remained open for a period of 16 trading days. As of December 31, 2015, the Company had purchased 1,921,553 shares under the Tender Offer and acquired a total of approximately 86.25% of the share capital of ND, including all of the outstanding share subscription warrants granted by ND to employees, directors or other officers of ND and its affiliates. The fair value of total consideration paid for ND, net of acquired cash, was €2,645.2 million, or $2,955.3 million. For additional information refer to Note 3—Acquisitions.

Redemption of ND’s Euro Private Placement Notes

In conjunction with the acquisition of ND, we assumed ND's Euro private placement debt of €75.0 million aggregate principal amount of 3.80% notes due December 20, 2019 (the “Euro Private Placement Notes due 2019”) and €160.0 million aggregate principal amount of 4.00% notes due December 20, 2020 (the “Euro Private Placement Notes due 2020” and together with the Euro Private Placement Notes due 2019, the “Euro Private Placement Notes”). The Company redeemed €223.0 million of the Euro Private Placement Notes at par on July 31, 2015.

Acquisition of Bridge Terminal Transport Services, Inc.

On May 4, 2015, we entered into a Stock Purchase Agreement with BTTS Holding Corporation to acquire all of the outstanding capital stock of BTT, a leading asset-light drayage provider in the United States. The fair value of the total consideration paid under the BTT Stock Purchase Agreement was $103.8 million and consisted of $103.1 million of cash paid at the time of closing, including an estimate of the working capital adjustment, and $0.7 million of equity. The closing of the transaction was effective on June 1, 2015. For additional information refer to Note 3—Acquisitions.

Acquisition of UX Specialized Logistics

On February 9, 2015, we entered into an Asset Purchase Agreement to acquire certain of the assets of UX Specialized Logistics, LLC, a North American provider of last mile logistics and same day delivery services for major retail chains and e-commerce companies. The fair value of the total consideration paid under the UX Asset Purchase Agreement was $58.9 million and consisted of $58.1 million of cash paid at the time of closing, including an estimate of the working capital adjustment, and $0.8 million of equity. For additional information refer to Note 3—Acquisitions.

Issuance of Senior Notes due 2019, 2021 and 2022

On February 13, 2015, the Company completed an additional private placement of $400.0 million aggregate principal amount of Senior Notes due 2019 for a total issuance of $900.0 million. On June 4, 2015, the Company completed a private placement of $1.6 billion aggregate principal amount of 6.50% fixed rate Senior Notes due 2022 and €500.0 million Euro-denominated aggregate principal amount of 5.75% fixed rate Senior Notes due 2021. The Senior Notes due 2019, 2021 and 2022 were offered to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The sale of the Senior Notes due 2019, 2021 and 2022 was not registered under the Securities Act. Unless so registered, the Senior Notes due 2019, 2021 and 2022 may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. For additional information refer to Note 9—Debt.

Series C Convertible Perpetual Preferred Stock and Common Stock

On May 29, 2015, we entered into fifteen separate Investment Agreements (the “Investment Agreements”) with sovereign wealth funds and institutional investors (collectively, the “Purchasers”). Pursuant to the Investment Agreements, on June 3, 2015, we issued and sold 15,499,445 shares (the “Purchased Common Shares”) in the aggregate of our common stock, and 562,525 shares (the "Purchased Preferred Stock” and, together with the Purchased Common Shares, the “Purchased Securities”) in the aggregate of our Series C Convertible Perpetual Preferred Stock in a private

placement. The purchase price per Purchased Common Share was $45.00 and the purchase price per share of Purchased Preferred Stock was $1,000. The Purchased Preferred Stock was mandatorily convertible into an aggregate of 12,500,546 additional shares of Company common stock subject to the approval of the Company's stockholders. We held a special meeting of stockholders of the Company on September 8, 2015 in which the Company's stockholders approved the issuance of shares of Company common stock upon the conversion of the Purchased Preferred Stock. Immediately following the special meeting, the Purchased Preferred Stock was automatically

converted into 12,500,546 shares of Company common stock. No additional consideration was received by the Company in connection with the conversion of the Purchased Preferred Stock into Company common stock.
The Purchased Preferred Stock was issued with an initial conversion price of $45.00 per share. As of May 29, 2015, our common stock price was $49.16. As a result, the conversion feature was issued "in-the-money" and we allocated the beneficial conversion feature of $52.0 million to additional paid-in capital. The beneficial conversion feature was contingent upon receiving approval of our stockholders and was therefore recognized in net loss attributable to common shareholders upon receiving stockholder approval on September 8, 2015. For additional information refer to Note 12—Stockholders' Equity.

Convertible Debt Conversions

During the year ended December 31, 2015, we entered into transactions pursuant to which we issued an aggregate of 3,315,705 shares of our common stock to certain holders of the 4.50% Convertible Senior Notes due October 1, 2017 (the "Convertible Notes") in connection with the conversion of $54.5 million aggregate principal amount of the Convertible Notes. Certain of these transactions included induced conversions pursuant to which we paid the holder a market-based premium in cash. The negotiated market-based premiums, in addition to the difference between the current fair value and the book value of the Convertible Notes, are reflected in interest expense. The number of shares of common stock issued in the foregoing transactions equals the number of shares of common stock presently issuable to holders of the Convertible Notes upon conversion under the original terms of the Convertible Notes.

Rebranding to XPO Logistics

In the second quarter of 2015, we aligned our services under the single global brand of XPO Logistics. The XPO brand unification reflects our ability to serve customers with a highly integrated range of supply chain solutions, including freight brokerage, intermodal, contract logistics, last mile, expedite and global forwarding. In conjunction with the rebranding, we launched a single, cohesive web presence at www.xpo.com. The site serves as the online point of contact for our customers, carriers, job seekers and other interested parties.

Other Reporting Disclosures

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

Revenue

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

Cost of transportation and services

Cost of transportation and services is primarily attributable to the cost of providing or procuring freight transportation services for XPO customers, salaries paid to employee drivers in our full truckload and LTL businesses, commissions paid to independent station owners in our global forwarding business, and insurance and truck leasing expense in our expedited business. Our primary means of providing capacity are through our truck and trailer fleet in North America and Europe as well as our base of variable cost third-party owner operators and contract carriers in North America for ground transportation and air charter services in our expedited business and our network of independent truck, rail, ocean and air carriers in our freight brokerage and global forwarding businesses. In the consolidated statements of operations, cost of transportation and services was changed from cost of purchased transportation and services to incorporate Con-way's and ND's trucking fleet costs, such as driver costs, trucking fleet depreciation expense, and truck maintenance costs, in this line item. The costs included on this line item for the periods ended December 31, 2014 and 2013 are the same as originally reported.

Net revenue

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

Direct operating expense

Direct operating expenses are both fixed and variable expenses directly relating to our intermodal, last mile and contract logistics operations and consist of operating costs related to our contract logistics facilities; intermodal equipment lease expense, depreciation expense, maintenance and repair costs, and property taxes; operating costs of our local drayage and last mile warehousing facilities; the direct costs related to the LTL service centers and European pallet network, such as direct labor, facilities and forklift trucks, and fixed terminal and cargo handling expenses. Operating costs of our contract logistics facilities

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consist mainly of personnel costs, facility and equipment expenses, materials and supplies, information technology expenses, depreciation expense and other operating expenses related to our contract logistics facilities. Intermodal equipment maintenance and repair costs consist of the costs related to the upkeep of the intermodal equipment fleet. Operating costs of our local drayage and last mile warehousing facilities consist mainly of personnel costs, rent, maintenance, utilities and other facility related costs. Operating costs of our LTL facilities consist mainly of personnel costs, rent and depreciation of service center equipment. Fixed terminal and cargo handling costs primarily relate to the fixed rent and storage expense charged by terminal operators.

Sales, general and administrative expense

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

XPO Logistics, Inc.

Consolidated Statement of Operations

For the Year Ended December 31,

				Percent of Revenue		
(Dollars in millions)	2015	2014	2013	2015	2014	2013
Revenue	$7,623.2	$2,356.6	$702.3	100.0 %	100.0 %	100.0 %
Cost of transportation and services	4,171.4	1,701.8	578.7	54.7 %	72.2 %	82.4 %
Net revenue	3,451.8	654.8	123.6	45.3 %	27.8 %	17.6 %
Direct operating expense	2,367.0	273.2	6.4	31.0 %	11.6 %	0.9 %
SG&A expense						
Salaries & benefits	569.3	213.8	100.3	7.5 %	9.1 %	14.3 %
Other SG&A expense	183.9	72.0	25.3	2.4 %	3.1 %	3.6 %
Purchased services	159.7	50.1	23.3	2.1 %	2.1 %	3.3 %
Depreciation & amortization	200.5	86.6	20.6	2.6 %	3.7 %	2.9 %
Total SG&A expense	1,113.4	422.5	169.5	14.6 %	18.0 %	24.1 %
Operating loss	(28.6)	(40.9)	(52.3)	(0.3)%	(1.8)%	(7.4)%
Other expense	3.1	0.4	0.5	— %	— %	0.1 %
Foreign currency loss	34.1	0.4	—	0.4 %	— %	— %
Interest expense	216.7	48.0	18.2	2.8 %	2.0 %	2.6 %
Loss before income tax benefit	(282.5)	(89.7)	(71.0)	(3.5)%	(3.8)%	(10.1)%
Income tax benefit	(90.9)	(26.1)	(22.5)	(1.2)%	(1.1)%	(3.2)%
Net loss	$(191.6)	$(63.6)	$(48.5)	(2.3)%	(2.7)%	(6.9)%

Consolidated Results

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Our consolidated revenue for 2015 increased 223.5% to $7,623.2 million from $2,356.6 million in 2014. This increase was driven by the acquisitions of ND, Con-way, BTT and UX and the inclusion of a full year of results from 2014 acquisitions New Breed Holding Company ("New Breed") and Simply Logistics, Inc. d/b/a Atlantic Central Logistics ("ACL"), as well as organic growth. ND and Con-way's revenue included in the year ended December 31, 2015 was $3,463.1 million and $896.2 million, respectively.

Net revenue for 2015 increased 427.2% to $3,451.8 million from $654.8 million in 2014. Net revenue margin was 45.3% in 2015 as compared to 27.8% in 2014. The increase in net revenue margin primarily relates to the acquisitions of ND, Con-way, BTT and UX, the inclusion of a full year of New Breed and ACL's results, and year-over-year

margin improvements in the Company's existing businesses.

Direct operating expense for 2015 was $2,367.0 million, or 31.0% as a percentage of revenue, compared to $273.2 million, or 11.6% as a percentage of revenue, for 2014. Direct operating expense increased due to the acquisitions of ND and Con-way, and the inclusion of a full year of New Breed's results.

SG&A expense increased by $690.9 million in 2015 compared to 2014. As a percentage of revenue, SG&A expense decreased to 14.6% in 2015 as compared to 18.0% in 2014. SG&A increased primarily due to SG&A expense associated with new acquisitions and increased intangible amortization related to acquisitions.

Foreign currency loss increased to $34.1 million from $0.4 million in 2014. The increase was primarily due to foreign currency transaction and remeasurement losses on the cash held to purchase ND and the impact of other foreign currency transactions.

Interest expense for 2015 increased 351.5% to $216.7 million from $48.0 million in 2014. Interest expense in 2015 relates to our Senior Notes, Senior Debentures, Term Loan Facility, Convertible Notes, Euro Private Placement Notes, Asset Financing and other debt facilities. Interest expense in 2014 relates to a portion of the Senior Notes, Convertible Notes, and debt commitment fees.

Our effective income tax benefit rates in 2015 and 2014 were 32.2% and 29.1%, respectively. We recognized a tax benefit in 2015 and 2014 due to the net losses incurred. Our effective tax benefit rate was influenced by various non-deductible costs (including those related to the Company's acquisitions and interest related to conversions of our convertible debt) the change in valuation allowances, various non-taxable items (including those related to the 3PD Holding, Inc. ("3PD") holdback liability and certain fuel and employment tax credits), and the mix of income among the various jurisdictions in which the Company does business. For both periods, our effective income tax rates reflect the Company's intention and ability to permanently reinvest earnings of its foreign subsidiaries.

As of December 31, 2015 and December 31, 2014, the Company had cash and cash equivalents held by its foreign subsidiaries. As a result of our intention to permanently reinvest these earnings, the Company has not provided any additional U.S. taxes on the undistributed earnings as of the balance sheet dates, except on those earnings that are subject to U.S. tax without regard to whether those earnings are actually distributed. If these earnings were repatriated, the Company would need to accrue and pay taxes based on the tax rules in place at the time of repatriation.

The increase in net loss was due primarily to transaction and integration costs, higher interest expense, foreign currency loss and other expense and increased intangible amortization related to acquisitions.

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

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

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

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

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

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

Senior Notes due 2019, Convertible Notes and other debt facilities.

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

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

Transportation
Statement of Operations
For the Year Ended December 31,

				Percent of Revenue		
(Dollars in millions)	2015	2014	2013	2015	2014	2013
Revenue	$4,924.4	$2,140.0	$702.3	100.0 %	100.0 %	100.0 %
Cost of transportation and services	3,718.8	1,701.8	578.7	75.5 %	79.5 %	82.4 %
Net revenue	1,205.6	438.2	123.6	24.5 %	20.5 %	17.6 %
Direct operating expense	507.1	90.0	6.4	10.3 %	4.2 %	0.9 %
SG&A expense						
Salaries & benefits	340.7	175.0	78.3	6.9 %	8.2 %	11.1 %
Other SG&A expense	129.4	56.4	19.6	2.6 %	2.6 %	2.8 %
Purchased services	44.7	20.4	6.9	0.9 %	1.0 %	1.0 %
Depreciation & amortization	132.1	77.5	19.6	2.7 %	3.6 %	2.8 %
Total SG&A expense	646.9	329.3	124.4	13.1 %	15.4 %	17.7 %
Operating income (loss)	$51.6	$18.9	$(7.2)	1.1 %	0.9 %	(1.0)%

Note: Total depreciation and amortization for the Transportation reportable segment included in cost of transportation and services, direct operating expense and SG&A was $226.5 million, $79.5 million and $19.7 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Transportation
Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue in our Transportation segment increased by 130.1% to $4,924.4 million in 2015 compared to $2,140.0 million in 2014. This increase was driven largely by the acquisitions of ND, Con-way, BTT and UX, as well as organic growth.

Total net revenue for 2015 increased 175.1% to $1,205.6 million from $438.2 million in 2014. Net revenue margin was 24.5% in 2015 as compared to 20.5% in 2014. The increase in net revenue is primarily attributable to acquisitions, price optimization, lower purchased transportation costs and the shedding of unprofitable business. We improved our margin percentages in most of our transportation businesses from a year ago, including freight brokerage, last mile, expedite and global forwarding.

Direct operating expense for 2015 was $507.1 million, or 10.3% as a percentage of revenue, compared to $90.0 million, or 4.2% as a percentage of revenue, for 2014. Direct operating expense increased primarily due to the acquisitions of ND, Con-way, BTT and UX.

SG&A expense increased by 96.4% to $646.9 million in 2015 from $329.3 million in 2014. As a percentage of revenue, SG&A expense decreased to 13.1% in 2015 as compared to 15.4% in 2014. The increase in SG&A expense was primarily due to the contribution of SG&A associated with new acquisitions and transaction and integration costs.

Our Transportation segment generated operating income of $51.6 million in 2015 compared to operating income of $18.9 million in 2014, primarily due to increased net revenue and lower SG&A as a percentage of revenue.

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

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

- Continue to integrate our information technology platform.

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

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

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

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

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

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

Logistics

Statement of Operations

For the Year Ended December 31,

			Percent of Revenue			
(Dollars in millions)	2015	2014	2015		2014	
Revenue	$2,768.4	$216.6	100.0	%	100.0	%
Cost of transportation and services	521.6	—	18.8	%	—	%
Net revenue	2,246.8	216.6	81.2	%	100.0	%
Direct operating expense	1,859.5	183.2	67.2	%	84.6	%
SG&A expense						
Salaries & benefits	165.1	6.3	6.0	%	2.9	%
Other SG&A expense	34.3	1.8	1.2	%	0.8	%
Purchased services	39.3	1.1	1.4	%	0.5	%
Depreciation & amortization	67.0	6.6	2.4	%	3.0	%
Total SG&A expense	305.7	15.8	11.0	%	7.2	%
Operating income	$81.6	$17.6	3.0	%	8.2	%

Note: Total depreciation and amortization for the Logistics reportable segment included in cost of transportation and services, direct operating expense and SG&A was $136.9 million and $16.3 million for the years ended December 31, 2015 and 2014, respectively.

Logistics

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue in our Logistics segment increased by 1,178.1% to $2,768.4 million in 2015 compared to $216.6 million in 2014. This increase was driven by the acquisitions of ND and Con-way, and the inclusion of a full year of New Breed’s results.

Net revenue increased 937.3% to $2,246.8 million in 2015 from $216.6 million in 2014. The increase in net revenue is attributable to the acquisitions of ND and Con-way, and the inclusion of a full year of New Breed's results.

Direct operating expense in 2015 was $1,859.5 million, or 67.2% as a percentage of revenue, compared to $183.2 million, or 84.6% as a percentage of revenue, in 2014. Direct operating expense increased due to the acquisitions of ND and Con-way, and the inclusion of a full year of New Breed's results.

SG&A expense increased to $305.7 million in 2015 from $15.8 million in 2014. The increase in SG&A expense was due to the contribution of SG&A associated with the acquisitions of ND and Con-way, and the inclusion of a full year of New Breed's results. As a percentage of revenue, SG&A expense increased to 11.0% in 2015 compared to 7.2% in 2014.

Our Logistics segment generated operating income of $81.6 million in 2015 compared to $17.6 million in 2014, due to the acquisition of ND and the inclusion of a full year of New Breed's results. Operating income in 2015 was reduced by transaction and integration costs.

Management’s growth strategy for the Logistics segment is to:

- Focus sales and marketing investments to capture additional business by leveraging the segment’s proprietary technology, network of facilities and industry-specific experience;
- Increase share of spend with existing contract logistics customers who may outsource more of this business to XPO, and who have broader transportation needs we can service; and
- Cross-sell technology-enabled contract logistics and managed transportation services to customers of our Transportation segment.

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

Net revenue in our Logistics segment was $216.6 million in 2014. Direct operating expense for 2014 was $183.2 million, or 84.6% as a percentage of revenue. SG&A expense was $15.8 million in 2014, or 7.2% as a percentage of revenue. Operating income was $17.6 million for 2014. Our Logistics segment was established through the acquisition of New Breed in September 2014, and as a result, we have no financial results for our Logistics segment in 2013.

XPO Corporate

Summary of Sales, General and Administrative Expense

For the Year Ended December 31,

				Percent of Revenue					
(Dollars in millions)	2015	2014	2013	2015		2014		2013	
SG&A expense									
Salaries & benefits	$62.8	$32.5	$22.0	0.8	%	1.4	%	3.1	%
Other SG&A expense	21.7	13.8	5.7	0.3	%	0.6	%	0.8	%
Purchased services	76.0	28.6	16.4	1.0	%	1.2	%	2.3	%
Depreciation and amortization	1.5	2.5	1.0	—	%	0.1	%	0.1	%
Total SG&A expense	$162.0	$77.4	$45.1	2.1	%	3.3	%	6.3	%

Corporate

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Corporate SG&A expense in 2015 increased by $84.6 million compared to 2014 primarily due to an increase in restructuring, legal and acquisition-related transaction costs.

Corporate SG&A for 2015 included $74.3 million of transaction and integration costs; $6.2 million of non-cash stock-based
compensation; and $6.5 million of litigation-related legal costs.

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

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

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

Intersegment Eliminations

Intersegment eliminations represent intercompany activity between our reportable segments that is eliminated upon consolidation. Intercompany activity is the result of recent acquisitions and no activity occurred in 2014 and 2013. The difference between operating loss component line items in the Consolidated Statements of Operations and the sum of the respective line items from the Transportation and Logistics Statement of Operations tables above represents intercompany eliminations between our reportable segments. The following table summarizes the intersegment eliminations by line item.

Intersegment Eliminations
Summary Financial Table

For the Year Ended December 31, (Dollars in millions)	2015	2014	2013
Revenue	$(69.6)	$—	$—
Cost of transportation and services	(69.0)	—	—
Net revenue	(0.6)	—	—
Direct operating expense	0.4	—	—
SG&A expense			
Salaries & benefits	0.7	—	—
Other SG&A expense	(1.5)	—	—
Purchased services	(0.3)	—	—
Depreciation & amortization	(0.1)	—	—
Total SG&A expense	(1.2)	—	—
Operating income	$0.2	$—	$—

Liquidity and Capital Resources

General

As of December 31 2015, we had $262.8 million of working capital, including cash and cash equivalents of $289.8 million, compared to working capital of $842.8 million, including cash and cash equivalents of $644.1 million, as of December 31, 2014. This decrease of $580.0 million in working capital during the period was mainly due to using the funds to purchase Con-way, ND, BTT and UX, offset by proceeds from the issuance of Senior Notes, the Term Loan Facility and common and preferred stock in the equity private placement.

In 2016, we anticipate net capital expenditures to be in the range of $475 million to $500 million. Our actual 2016 capital expenditures may differ from the estimated amount depending on factors such as the availability and timing of delivery of equipment. We will continue to evaluate our investments in critical long-term strategic projects to ensure our capital expenditures generate high returns on investments and are balanced with our outlook for global economic conditions.

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

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

Cash Flow

During 2015, $90.8 million of cash was provided by operations compared to $21.3 million used in 2014 and $66.3 million used for 2013. Cash flow increases from operations between the period ended December 31, 2015 and 2014 related to businesses acquired, including larger non-cash charges related to depreciation and amortization in 2015. The primary use of cash for the periods ended December 31, 2014 and 2013 was the payment of outstanding accounts payable.

Cash generated from revenue equaled $7,631.0 million for 2015 as compared to $2,212.8 million in 2014 and $665.3 million for 2013 and correlates directly with the revenue increase between periods. Cash flow increases are related

primarily to acquisitions and margin increases between the periods ended December 31, 2015, 2014 and 2013.

Cash used for payment of transportation services and direct operating expenses in 2015 equaled $6,417.9 million as compared to $1,929.9 million in 2014 and $585.1 million for 2013. The increase in cash outflows between the periods directly correlates to the increase in revenues between the periods ended December 31, 2015, 2014 and 2013.
Other operating uses of cash included SG&A items, which equaled $1,058.8 million, $299.7 million and $134.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. Payroll represents the most significant SG&A item. In 2015, cash used for payroll equaled $769.1 million as compared to $138.3 million and $74.9 million for the same period for 2014 and 2013, respectively.
Investing activities used $4,085.4 million in 2015 compared to a use of $858.3 million in 2014 and $470.3 million in 2013. During 2015, $3,887.0 million was used for acquisitions, $249.0 million was used to purchase fixed assets and $9.7 million was used to settle a forward contract related to the acquisition of ND. The Company received $60.3 million from the sale of assets in 2015. During 2014, $814.0 million was used in acquisitions and $44.6 million was used to purchase fixed assets. During 2013, $458.8 million was used for acquisitions and $11.6 million was used to purchase fixed assets while $0.1 million was provided by other investing activities.
Financing activities generated $3,644.9 million in 2015 compared to $1,502.2 million and $305.7 million generated in 2014 and 2013, respectively. The main sources of cash from financing activities in 2015 was the $4,108.9 million of net proceeds from the issuance of long-term debt and $1,228.1 million of net proceeds from the issuance of preferred and common stock. The primary uses of cash were a repayment of long-term debt of $1,215.6 million and purchases of a portion of ND noncontrolling interests of $459.7 million. In 2014, our primary source of cash was the $1,097.4 million of net proceeds from the issuance of preferred and common stock, $489.6 million of net proceeds from the issuance of long-term debt and $130.0 million borrowed against our revolving credit facility. Our primary use of cash was the $205.0 million used to repay borrowings on the revolving credit facility. During 2013, our main sources of cash from financing activities were the $239.5 million of net proceeds from the issuance of common stock and the $73.3 million of net proceeds from borrowing on our revolving credit facility while our primary uses of cash were the dividends paid to preferred stockholders of $3.0 million, $1.6 million used to pay tax withholdings on restricted shares and $2.5 million related to other financing activities.
Debt Facilities
On October 30, 2015, the Company entered into the Second Amended and Restated Revolving Loan Credit Agreement (the "ABL Facility") among XPO and certain of XPO's U.S. and Canadian wholly owned subsidiaries (which include the U.S. subsidiaries of the former Con-way), as borrowers, the other credit parties from time to time party thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as agent for such lenders. The ABL Facility replaced XPO's existing Amended Credit Agreement, and, among other things, (i) increased the commitments under the ABL Facility to $1.0 billion, (ii) permitted the acquisition of Con-way and the transactions relating thereto, (iii) reduced the margin on loans under the ABL Facility by 0.25% from that contained in the existing Amended Credit Agreement and (iv) matures on October 30, 2020 (subject, in certain circumstances, to a springing maturity in the event that XPO's Senior Notes due 2019 are not repaid or subjected to a cash reserve three months prior to the maturity date thereof). Up to $350 million of the ABL Facility is available for issuance of letters of credit, and up to $50 million of the ABL Facility is available for swing line loans. At December 31, 2015, the Company had a borrowing base of $932.9 million and availability under the ABL Facility of $692.3 million after considering outstanding letters of credit of $240.6 million. As of December 31, 2015, the Company was in compliance with the ABL Facility's financial covenants. Total unamortized debt issuance costs related to the ABL Facility classified in other long-term assets at December 31, 2015 were $9.6 million. For additional information refer to Note 9—Debt.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2015:

(Dollars in millions)	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Capital leases payable	$60.9	$22.0	$29.1	$6.2	$3.6
Notes payable	3.5	3.5	—	—	—
Operating leases	2,206.8	537.0	741.7	426.0	502.1
Purchase commitments	200.1	99.5	82.4	18.2	—
Employment contracts	13.4	6.6	4.5	2.3	—
Severance	55.7	55.4	0.3	—	—
Convertible senior notes	56.6	2.4	54.2	—	—
Euro Private Placement Notes due 2020	15.7	0.5	1.1	14.1	—
Asset financing	269.4	97.5	144.3	25.3	2.3
Senior Notes due 2022	2,276.0	104.0	208.0	208.0	1,756.0
Senior Notes due 2021	716.5	31.3	62.6	62.6	560.0
Senior Notes due 2019	1,159.9	70.9	141.8	947.2	—
Senior Notes due 2018	305.9	19.3	286.6	—	—
Senior Debentures due 2034	668.5	20.1	40.2	40.2	568.0
Term loan facility	2,112.9	103.7	204.7	201.2	1,603.3
Total contractual cash obligations	$10,121.8	$1,173.7	$2,001.5	$1,951.3	$4,995.3

Actual amounts of contractual cash obligations may differ from estimated amounts due to changes in foreign currency exchange rates. We do not have any other material commitments that have not been disclosed elsewhere.

Critical Accounting Policies

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. We review our estimates for, including but not limited to: recognition of revenue, costs of transportation and services, direct operating expenses, recoverability of long-lived assets, estimated legal accruals, estimated restructuring accruals, valuation allowances for deferred taxes, reserve for uncertain tax positions, derivative instruments, self-insurance accruals, defined benefit pension plans, and allowance for doubtful accounts, on a regular basis and make adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates are reasonable and has discussed them with the audit committee of our board of directors. However, actual results could differ from these estimates. Note 2 to our Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. There were no significant changes to our critical accounting policies in 2015. The following is a brief discussion of our critical accounting policies and estimates.

Revenue Recognition

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

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

• Collectability is reasonably assured.

The Company's Logistics segment recognizes a significant portion of its revenue based on objective criteria that do not require significant estimates or uncertainties. Revenues on cost-reimbursable contracts are recognized by applying a factor to costs as incurred, such factor being determined by the contract provisions. Revenues on unit-price contracts are recognized at the contractual selling prices of work completed. Revenues on time and material contracts are recognized at the contractual rates as the labor hours and direct expenses are incurred. Revenues from fixed-price contracts are recognized as services are provided, unless revenues are earned and obligations fulfilled in a different pattern. Certain contracts provide for labor handling charges to be billed for both incoming and outgoing handling of goods at the time the goods are received in a warehouse. For these contracts, revenue is recognized immediately for the amounts representing handling of incoming goods and deferred revenue is recorded for the performance of services related to the handling of outgoing goods, which is recognized once the related goods leave the warehouse. Storage revenue is recognized as it is earned based on the length of time the related product is stored in the warehouse. Generally, the contracts contain provisions for adjustments to future pricing based upon changes in volumes, services and other market conditions, such as inflation. Revenues relating to such incentive or contingency payments are recorded when the contingency is satisfied, and the Company concludes the amounts are earned.

For all lines of business (other than the Company's managed expedited freight business and the Company's Logistics segment with respect to those transactions where its contract logistics business is serving as the customer's agent in arranging purchased transportation), the Company reports revenue on a gross basis in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 605, "Reporting Revenue Gross as Principal Versus Net as an Agent." The Company believes presentation on a gross basis is appropriate under ASC Topic 605 in light of the following factors:

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

For certain of the Company's subsidiaries in both of its segments, revenue is recognized on a net basis in accordance with ASC Topic 605 because the Company does not serve as the primary obligor. The Company's global forwarding operations collects certain taxes and duties on behalf of their customers as part of the services offered and arranged for international shipments. The Company presents these collections on a net basis.

Derivative Instruments

The Company records all derivative instruments in the consolidated balance sheets as assets or liabilities at fair value. The accounting treatment for changes in the fair value of derivative instruments depends on whether the instruments have been designated and qualify as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, we must designate the derivative based upon the exposure being hedged. The effective portions of cash flow hedges are recorded in accumulated other comprehensive income in the consolidated balance sheets until the hedged item is recognized in earnings. The effective portions of net investment hedges are recorded in accumulated other comprehensive income in the consolidated balance sheets as a part of the cumulative translation adjustment. The ineffective portions of cash flow hedges and net investment hedges are recorded in interest expense in the consolidated statements of operations.

Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings and are recorded in other expense in the consolidated statements of operations. For additional information, refer to Note 15—Derivative Instruments.

Defined Benefit Pension Plans

Defined benefit pension plan benefits are calculated using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligation and fair value of plan assets represent our best estimates based

on information available regarding historical experience and factors that may cause future expectations to differ from past experiences. Differences in actual experience or changes in assumptions could materially impact our obligation and future expense amounts.

Discount Rate

In determining the appropriate discount rate for U.S. Plans (which consist of a primary qualified defined benefit pension plan and another qualified defined benefit pension plan (the “U.S. Qualified Plans”)) and non-qualified defined benefit pension plans (collectively, the “U.S. Non-Qualified Pension Plans” and together with the U.S. Qualified Plans, the “U.S. Plans”)), we are assisted by actuaries who utilize a yield-curve model based on a universe of high-grade corporate bonds (rated AA or better by Moody's or S&P rating services). The model determines a single equivalent discount rate by applying the yield curve to expected future benefit payments.

In determining the appropriate discount rate for UK Plans (which consist of the Christian Salvesen Pension Scheme (“CSPS”) and TDG Pension Scheme (“TDGPS” and together with the CSPS, the “UK Plans”)), we are assisted by consultants who utilize a yield-curve model based on the iBoxx universe of high-grade corporate bonds (rated AA or better by Moody’s, S&P or Fitch rating services). The model determines a single equivalent discount rate by applying the yield curve to expected future benefit payments.

The discount rate used in determining net periodic benefit expense (income) for 2015 is as follows (prior to June 2015, the Company did not have a defined benefit pension plan):

	2015	
	U.S. Plans	UK Plans
Discount rate on plan obligations	4.65 %	3.75 %

Rate of Return on Plan Assets

For the U.S. Qualified Plans, XPO sets the expected return on plan assets using current market expectations and historical returns. The expected return on plan assets is based on estimates of long-term expected returns and considers the plans' anticipated asset allocation over the course of the next year. The expected return includes the effect of actively managing the plan assets, and is net of fees and expenses. The plan assets are managed pursuant to a long-term allocation strategy that seeks to mitigate the plans' funded status volatility by increasing the plans' investment in fixed-income investments over time. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities of the plans.

For the UK Plans, we set the expected return on plan assets using market expectations and historical returns. The expected return on plan assets is based on estimates of long-term expected returns and considers the plans’ anticipated asset allocation over the course of the next year. The expected return includes the effect of actively managing the plan assets and is net of fees and expenses.

Significant Assumption Sensitivity

The sensitivity analysis below shows the effect on net periodic benefit expense (income) and the projected benefit obligation from a 25 basis point change in the assumed discount rate:

(Dollars in millions)	25 Basis Point Increase		25 Basis Point Decrease	
Discount rate	U.S. Plans	UK Plans	U.S. Plans	UK Plans
Effect on 2015 net periodic benefit expense (income)	$0.3	$0.7	$(0.3)	$(0.9)
Effect on December 31, 2015 projected benefit obligation	(58.6)	(47.9)	61.9	51.0

The funded status of our defined benefit pension plans is less sensitive to a 25 basis point change in the assumed discount rate, given that the fixed-income investments held by some of these plans would also experience a corresponding change in value.

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For the year ended December 31, 2015, our expected return on plan assets was $15.4 million for U.S. Qualified Plans and $34.6 million for UK Plans, compared to the actual losses on plan assets of $29.8 million for U.S. Qualified Plans and $30.3 million for UK Plans. The sensitivity analysis below shows the effect on net periodic benefit expense (income) from a 25 basis point change in the expected return on plan assets:

(Dollars in millions)	25 Basis Point Increase		25 Basis Point Decrease	
Expected return on plan assets	U.S. Qualified Plans	UK Plans	U.S. Qualified Plans	UK Plans
Effect on 2015 net periodic benefit expense (income)	$(0.7)	$(1.8)	$0.7	$1.8

Actuarial Gains and Losses

Changes in the discount rate and/or differences between the expected and actual rate of return on plan assets results in unrecognized actuarial gains or losses. For our defined benefit pension plans, accumulated unrecognized actuarial losses were $21.5 million for U.S. Plans and actuarial gains of $0.5 million for UK Plans at December 31, 2015. The portion of the unrecognized actuarial gain/loss that exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year is amortized and recognized as income/expense over the estimated average remaining life expectancy of plan participants.

Effect on Operating Results

The effects of the defined benefit pension plans on our operating results consist primarily of the net effect of the interest cost on plan obligations for the U.S. Plans and UK Plans, the expected return on plan assets for the funded defined benefit pension plans and the amortization of gains or losses. We estimate that the defined benefit pension plans will result in annual income of $9.3 million for the U.S. Plans and $14.1 million for the UK Plans in 2016. We recognized net periodic benefit income of $2.2 million for U.S. Plans and $6.0 million for UK Plans in 2015.

Funding

In determining the amount and timing of pension contributions for the U.S. Plans, we consider our cash position, the funded status as measured by the Pension Protection Act of 2006 (the “PPA”) and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. We made no contributions to the U.S. Qualified Plans in 2015. We estimate that we will make $5.2 million of contributions to the U.S. Qualified Plans in 2016.

For the UK Plans, the amount and timing of pension contributions is determined in accordance with UK pension codes and trustee negotiations. We made contributions of $10.3 million to the UK Plans in 2015. We estimate that we will make $16.3 million of contributions to the UK Plans in 2016.

The impact of plan amendments and actuarial gains and losses are recorded in accumulated other comprehensive income, and are generally amortized as a component of net periodic benefit cost over the remaining service period of the active employees covered by the defined benefit pension plans. Unamortized gains and losses are amortized only to the extent they exceed 10% of the higher of the fair value of plan assets or the projected benefit obligation of the respective plan. For additional information, refer to Note 10—Employee Benefit Plans.

Valuations for Accounts Receivable

Allowance for doubtful accounts is calculated based upon the aging of our receivables, our historical experience of uncollectible accounts, and any specific customer collection issues that we have identified. The allowance of $16.9 million as of December 31, 2015 increased compared to the allowance of $9.8 million as of December 31, 2014. The Company believes that the recorded allowance is sufficient and appropriate based on our customer aging trends, the exposures XPO has identified and our historical loss experience. A 10% deviation from the estimated allowance for doubtful accounts would have resulted in an increase or decrease of SG&A expense by approximately $1.7 million.

Stock-Based Compensation

We account for stock-based compensation based on the equity instrument’s grant date fair value in accordance with ASC Topic 718, “Compensation—Stock Compensation.” The fair value of each stock-based payment award is established on the date of grant. For grants of restricted stock units (“RSUs”) subject to service- or performance-based vesting conditions only, the fair value is established based on the market price on the date of the grant. For grants of RSUs subject to market-based vesting conditions, the fair value is established using the Monte Carlo simulation lattice

model. For grants of options, we use the Black-Scholes option pricing model to estimate the fair value of stock-based payment awards. The determination of the fair value of stock-based awards is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The weighted-average fair value of each stock option recorded in expense for the years ended December 31, 2015, 2014 and 2013 was estimated on the date of grant using the Black-Scholes option pricing model and is amortized over the requisite

service period of the option. We have used one grouping for the assumptions, as our option grants have similar characteristics. The expected term of options granted has been derived based upon our history of actual exercise behavior and represents the period of time that options granted are expected to be outstanding. Historical data was also used to estimate option exercises and employee terminations. Estimated volatility is based upon our historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant and the expected dividend yield is zero.

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

Income Taxes

Our annual effective tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is affected by the tax rate on our foreign operations as well as the mix of income between our domestic and foreign operations. In addition to local country tax laws and regulations, this rate depends on the extent earnings are indefinitely reinvested outside the United States. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the Company. In general, it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. As of December 31, 2015, the Company had not made a provision for U.S. or additional foreign withholding taxes for financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration, if any exists. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing all available evidence, including the reversal of the deferred tax liabilities, carrybacks available and historical and projected pre-tax profits generated by our operations. These sources of income rely heavily on estimates. The future settlement of deferred tax liabilities, which will enable the Company to realize its existing deferred tax assets when they reverse, was the most significant factor in our determination of the valuation allowance under the "more likely than not" criteria. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Goodwill

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. We follow the provisions of ASC Topic 350, "Intangibles—Goodwill and Other," which requires an annual impairment test for goodwill. We perform the annual impairment testing as of August 31 each year unless events or circumstances indicate impairment of the goodwill may have occurred before that time. We determine fair values for each of the reporting units using an income approach. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our business. Actual results may differ from those assumed in our forecasts. We derive our discount rates using a capital asset pricing model and analyzing public company market data for our industry to estimate the weighted average cost of capital. We use discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in our internally developed forecasts. Discount rates used in our reporting unit valuations ranged from 9.6% to 10.2%. Required rates of return, along with uncertainty inherent in the forecasts of future cash flows, are reflected in the selection of the discount rate. For the periods presented, we did

not recognize any goodwill impairment as the estimated fair value of our reporting units with goodwill exceeded the book value of these reporting units.

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

Intangible Assets with Definite Lives

The Company follows the provisions of ASC Topic 360, “Property, Plant and Equipment,” which establishes accounting standards for the impairment of long-lived assets such as property, plant and equipment and intangible assets subject to amortization. The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in

circumstances indicate that the carrying amount of the assets may not be recoverable. Fair value is determined based on the present value of estimated future cash flows of the asset, discounted at an appropriate risk-adjusted rate. The Company uses internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on the most recent views of the long-term outlook for the business. Actual results may differ from those assumed in our forecasts. The Company derives our discount rates using a capital asset pricing model and analyzing public company market data for the industry to estimate the weighted average cost of capital. The Company uses discount rates that are commensurate with the risks and uncertainty associated with the recovery of the asset. Required rates of return, along with uncertainty inherent in the forecasts of future cash flows, are reflected in the selection of the discount rate. Determining whether an impairment loss has occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. For the periods presented, there was no impairment of the intangible assets with definite lives.

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

Property, Plant and Equipment and Other Long-Lived Assets

In accounting for property, plant and equipment, the Company makes estimates about the expected useful lives and the expected residual values of these assets, and the potential for impairment based on the fair values of the assets and the cash flows generated by these assets.

The depreciation of property, plant and equipment over their estimated useful lives and the determination of any salvage values require management to make judgments about future events. The Company periodically evaluates whether changes to estimated useful lives or salvage values are necessary to ensure these estimates accurately reflect the economic use of the assets. The periodic evaluation may result in changes in the estimated lives and/or salvage values used to depreciate the assets, which can affect the amount of periodic depreciation expense recognized and, ultimately, the gain or loss on the disposal of the asset.

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets that are to be held and used, an impairment charge is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, a charge is recognized for the difference between the carrying value and the fair value. Fair values are determined using quoted market values, discounted cash flows or external appraisals, as applicable. Assets held for disposal are carried at the lower of carrying value or estimated net realizable value.

Each quarter, the Company considers events that may trigger an impairment of long-lived assets. Indicators of impairment that we consider include such factors as a significant decrease in market value of the long-lived asset, a significant change in the extent or manner in which the long-lived asset is being used, and current-period losses combined with a history of losses or a projection of continuing losses associated with the use of the long-lived asset.

Self-Insurance Accruals

The Company uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, vehicular, cargo and workers' compensation claims. The long-term portion of self-insurance accruals relates primarily to workers' compensation and vehicular claims that are expected to be payable over several years. The Company periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense. The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported. The Company believes

the actuarial methods are appropriate for measuring these highly judgmental self-insurance accruals. However, based on the magnitude of claims and the length of time from incurrence of the claims to ultimate settlement, the use of any estimation method is sensitive to the assumptions and factors described above. Accordingly, changes in these assumptions and factors can materially affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

Off-balance Sheet Arrangements

The Company guarantees the lease payments of certain tractor and trailer equipment utilized by subcontract drivers. The guarantee continues through the end of the lease of the equipment, typically four years. The maximum amount of the guarantee

is limited to the unpaid principal and interest amounts. As of December 31, 2015, the maximum amount of the guarantees was approximately $13.8 million.

New Pronouncements

Refer to Note 2 —Basis of Presentation and Significant Accounting Policies, of Item 8, "Financial Statements and Supplementary Data" for a discussion of recently issued accounting standards that are relevant to XPO.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk. As of December 31, 2015, we held $321.0 million of cash and restricted cash in cash depository and money market funds held in depository accounts at 121 financial institutions. The primary market risk associated with these investments is liquidity risk.

In conjunction with our June 2015 acquisition of ND, we assumed ND's asset financing arrangements. At December 31, 2015, we had outstanding $262.5 million aggregate principal amount of Asset Financing. Approximately 7% of the Asset Financing has fixed interest rates and approximately 93% has floating interest rates. Our floating rate Asset Financing subjects us to risk resulting from changes in short-term (primarily Euribor) interest rates. We use interest rate swaps (exchanging a variable rate for a fixed rate) to manage the fixed and floating interest rate mix of our Asset Financing and limit our exposure to interest rate risk. As of December 31, 2015, the notional amount of Asset Financing interest rate swaps designated as cash flows hedges was $228.6 million. Assuming a hypothetical 100-basis-point increase in the interest rate, annual interest expense would increase by approximately $0.2 million on our floating rate Asset Financing that is not hedged with interest rate swaps. For additional information on the Asset Financing, refer to Note 9—Debt of the consolidated financial statements included within. For additional information on the interest rate swaps, refer to Note 15—Derivative Instruments of the consolidated financial statements included within.

We have exposure to changes in interest rates on our revolving credit facility. The interest rates on our revolving credit facility fluctuate based on LIBOR or a Base Rate plus an applicable margin. Assuming our $1.0 billion revolving credit facility was fully drawn at December 31, 2015, a hypothetical 100-basis-point change in the interest rate would have increased our annual interest expense by $10.0 million.

On October 30, 2015, XPO entered into the Term Loan Facility that provided for a single borrowing of $1.6 billion. The interest rate on the Term Loan Facility fluctuates based on LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin of 4.50%, in the case of LIBOR loans, and 3.50%, in the case of Base Rate loans. A hypothetical 100-basis-point increase in the interest rate would increase our annual interest expense by $16.0 million.

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

Senior Notes due 2018, 2019, 2021 and 2022 and Senior Debentures due 2034. The fair market value of our outstanding issue of Senior Notes due 2018, Senior Notes due 2019, Senior Notes due 2021, and Senior Notes due 2022 (collectively, the “Senior Notes”) and Senior Debentures due 2034 (the “Senior Debentures”) is subject to interest rate risk. Generally the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. Interest rate changes affect the fair market value of the Senior Notes and Senior Debentures, and may affect the prices at which we would be able to repurchase such notes were we to do so. These changes do not impact our financial position, cash flows or results of operations. For additional information on the fair value of our outstanding Senior Notes and Senior Debentures, refer to Note 2—Basis of Presentation and Significant Accounting

Policies of the consolidated financial statements included within.

Foreign Currency Exchange Risk. Following the ND acquisition, we have a significant proportion of our net assets and income in non-U.S. dollar currencies, primarily the EUR and British Pound Sterling (“GBP”). We are exposed to currency risk from the potential changes in functional currency values of our foreign currency denominated assets, liabilities and cash flows. Consequently, a depreciation of the EUR and GBP relative to the U.S. dollar could have an adverse impact on our financial results.

In connection with the issuance of the Senior Notes due 2022, we entered into certain cross-currency swap agreements to partially manage the related foreign currency exchange risk by effectively converting a portion of the fixed-rate USD-denominated Senior Notes due 2022, including the semi-annual interest payments, to fixed-rate, EUR-denominated debt. The risk management objective is to manage a portion of the foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies. In addition to the cross-currency swaps, we use foreign currency denominated notes as nonderivative hedging instruments of our net investments in foreign operations with the same risk management objective as the cross-currency swaps.

In order to manage the short-term effect of foreign currency exchange rate fluctuations in connection with a portion of the cash consideration paid in EUR to acquire a majority interest in the outstanding share capital of ND, we entered into a short-term foreign currency forward contract in the second quarter of 2015. The foreign currency forward contract allowed us to purchase fixed amounts of EUR in the future at an exchange rate of €1.00 to $1.13. As of September 30, 2015, the full notional amount of the foreign currency forward contract was settled.

In order to mitigate against the risk of a reduction in the value of foreign currency earnings before interest, taxes, depreciation and amortization (“EBITDA”) from the Company’s international operations with the EUR and GBP as the functional currency, the Company entered into foreign currency option contracts in the fourth quarter of 2015.

For additional information on the cross-currency swap agreements and the foreign currency forward contract and option contracts, refer to Note 15—Derivative Instruments of the consolidated financial statements included within.

As of December 31, 2015, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of approximately $31.1 million. As of December 31, 2015, a uniform 10% strengthening in the value of the USD relative to the GBP would have resulted in a decrease in net assets of approximately $53.9 million. These theoretical calculations assume that an instantaneous, parallel shift in exchange rates occurs, which is not consistent with our actual experience in foreign currency transactions. Fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' services become more or less attractive. The sensitivity analysis of the impact of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

The following table sets forth the low and high exchange rates for EUR expressed in USD and the exchange rate at the end of the quarter based on the European Central Bank rates, which are based on a regular daily procedure between central banks across Europe and worldwide and normally takes place at 2:15 PM Central European Time. The exchange rates set forth below are provided for reference only and are not intended to demonstrate trends in exchange rates. They should not be relied upon as an indicator of future exchange rates.

	Quarter ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
High	1.2043	1.1419	1.1506	1.1439
Low	1.0557	1.0552	1.0852	1.0579
Rate at end of period	1.0759	1.1189	1.1203	1.0887

Commodity Price Risk. We are exposed to the impact of market fluctuations in the price of diesel fuel purchased for use in Company-owned vehicles. From June through December 2015, the price of diesel in France varied by 28.2% and the price of diesel in the United Kingdom varied by 20.6%. During the year ended December 31, 2015, the price of diesel in the United States varied by 28.7%. However, the Company includes price adjustments clauses or cost-recovery mechanisms in many of its customer contracts in the event of a change in the fuel purchase price. The clauses mean that substantially all fluctuations in the purchase price of diesel, except for short-term economic fluctuations, can be passed on to customers in the sales price. Therefore, a hypothetical 10% change in the price of diesel would not be expected to materially alter our financial performance over the long term.

For additional information on commodity price risk, refer to Item 1A, “Risk Factors”.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and supplementary data of the Company required by this Item are included at pages 54-108 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, as required by paragraph (b) of Rule 13a-15 and 15d-15 of the Exchange Act, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2015.

Management's Annual Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

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

Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of our published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, we concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

We completed the acquisitions of UX Specialized Logistics, Bridge Terminal Transport Services, Inc., Norbert Dentressangle SA, and Con-way Inc. during 2015. Due to the proximity of these acquisitions to year-end, we excluded them from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015. These acquired businesses are associated with total assets of $10.6 billion and total revenues of $4.6 billion included in the Consolidated Financial Statements of XPO Logistics, Inc. and subsidiaries as of and for the year ended December 31, 2015. For additional information on these acquisitions, see Note 3—Acquisitions, of Item 8, "Financial Statements and Supplementary Data."

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report on our internal control over financial reporting as of December 31, 2015. Such report is included on page 52 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

Except as described below, there have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. On February 9, 2015, June 1, 2015, June 8, 2015 and October 30, 2015, the Company completed its acquisitions of UX Specialized Logistics, Bridge Terminal Transport Services, Inc., Norbert Dentressangle SA, and Con-way Inc., respectively, and is integrating the acquired businesses into the Company's overall internal control over financial reporting process. Our management is in the process of assessing the

internal control over financial reporting at these acquired businesses and is implementing or revising internal controls where necessary. For additional information on these acquisitions, see Note 3—Acquisitions, of Item 8, “Financial Statements and Supplementary Data.”

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Part III of Form 10-K (other than certain information required by Item 401 of Regulation S-K with respect to our executive officers, which is provided under Item 1 of Part I of this Annual Report on Form 10-K) will be set forth in our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by Item 12 of Part III of Form 10-K, including information regarding security ownership of certain beneficial owners and management and information regarding securities authorized for issuance under equity compensation plans, will be set forth in our Proxy Statement for the 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2016 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

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

Exhibits

The exhibits listed on the accompanying Exhibit Index starting on page 109 of this Annual Report on Form 10-K are filed or incorporated by reference as part of this Annual Report on Form 10-K and such Exhibit Index is incorporated herein by reference.

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

SIGNATURES

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

February 29, 2016

XPO LOGISTICS, INC.

By:	/s/ Bradley S. Jacobs Bradley S. Jacobs (Chairman of the Board of Directors and Chief Executive Officer)
By:	/s/ John J. Hardig John J. Hardig (Chief Financial Officer)

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

Signature	Title	Date
/s/ Bradley S. Jacobs Bradley S. Jacobs	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 29, 2016
/s/ John J. Hardig John J. Hardig	Chief Financial Officer (Principal Financial Officer)	February 29, 2016
/s/ Lance A. Robinson Lance A. Robinson	Global Chief Accounting Officer (Principal Accounting Officer)	February 29, 2016
/s/ G. Chris Anderson G. Chris Andersen	Director	February 29, 2016
/s/ Louis DeJoy Louis DeJoy	Director	February 29, 2016
/s/ Michael G. Jesselson Michael G. Jesselson	Director	February 29, 2016
/s/ Adrian P. Kingshott Adrian P. Kingshott	Director	February 29, 2016
/s/ James J. Martell James J. Martell	Director	February 29, 2016
/s/ Jason D. Papastavrou Jason D. Papastavrou	Director	February 29, 2016

/s/ Oren G. Shaffer Oren G. Shaffer	Director	February 29, 2016

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
XPO Logistics, Inc.:

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. (the Company) and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of XPO Logistics, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), XPO Logistics, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG LLP
Charlotte, North Carolina
February 29, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
XPO Logistics, Inc.:
We have audited XPO Logistics, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). XPO Logistics, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on XPO Logistics, Inc.'s internal control over financial reporting based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, XPO Logistics Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.
XPO Logistics, Inc. acquired UX Specialized Logistics (UX), Bridge Terminal Transport Services, Inc. (BTT), Norbert Dentressangle SA (ND), and Con-way Inc. (Con-way) during 2015, and management excluded from its assessment of the effectiveness of XPO Logistics, Inc.'s internal control over financial reporting as of December 31, 2015, UX's, BTT's, ND's, and Con-way's internal control over financial reporting associated with total assets of $10.6 billion and total revenues of $4.6 billion, included in the consolidated financial statements of XPO Logistics, Inc. and subsidiaries as of and for the year ended December 31, 2015. Our audit of internal control over financial reporting of XPO Logistics, Inc. also excluded an evaluation of the internal control over financial reporting of UX, BTT, ND and Con-way.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of XPO Logistics, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG LLP
Charlotte, North Carolina
February 29, 2016

XPO Logistics, Inc.
Consolidated Balance Sheets

(In millions, except share and per share data)	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$289.8	$644.1
Accounts receivable, net of allowances of $16.9 and $9.8, respectively	2,266.4	543.8
Other current assets	401.0	36.0
Total current assets	2,957.2	1,223.9
Property and equipment, net of $209.3 and $47.3 in accumulated depreciation, respectively	2,852.2	221.9
Goodwill	4,610.6	929.3
Identifiable intangible assets, net of $224.5 and $74.6 in accumulated amortization, respectively	1,876.5	341.5
Deferred tax asset	113.6	9.2
Other long-term assets	233.1	23.6
Total long-term assets	9,686.0	1,525.5
Total assets	$12,643.2	$2,749.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,063.7	$252.7
Accrued expenses	1,291.8	119.9
Current maturities of long-term debt	135.3	1.8
Other current liabilities	203.6	6.7
Total current liabilities	2,694.4	381.1
Long-term debt	5,272.6	580.3
Deferred tax liability	933.3	74.5
Employee benefit obligations	312.6	—
Other long-term liabilities	369.5	58.4
Total long-term liabilities	6,888.0	713.2
Commitments and contingencies		
Stockholders' equity:		
Convertible perpetual preferred stock, $.001 par value; 10,000,000 shares authorized; 72,885 and 73,335 of Series A shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	42.0	42.2
Common stock, $.001 par value; 300,000,000 shares authorized; 109,523,493 and 77,421,683 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	0.1	0.1
Additional paid-in capital	3,212.3	1,831.9
Accumulated deficit	(465.0)	(219.1)
Accumulated other comprehensive loss	(72.3)	—
Noncontrolling interests	343.7	—
Total stockholders' equity	3,060.8	1,655.1
Total liabilities and stockholders' equity	$12,643.2	$2,749.4

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Operations

	Year Ended December 31,		
(In millions, except per share data)	2015	2014	2013
Revenue	$7,623.2	$2,356.6	$702.3
Operating expenses			
Cost of transportation and services	4,171.4	1,701.8	578.7
Direct operating expense	2,367.0	273.2	6.4
Sales, general and administrative expense	1,113.4	422.5	169.5
Total operating expenses	7,651.8	2,397.5	754.6
Operating loss	(28.6)	(40.9)	(52.3)
Other expense	3.1	0.4	0.5
Foreign currency loss	34.1	0.4	—
Interest expense	216.7	48.0	18.2
Loss before income tax benefit	(282.5)	(89.7)	(71.0)
Income tax benefit	(90.9)	(26.1)	(22.5)
Net loss	(191.6)	(63.6)	(48.5)
Preferred stock beneficial conversion charge	(52.0)	(40.9)	—
Cumulative preferred dividends	(2.8)	(2.9)	(3.0)
Net loss attributable to noncontrolling interests	0.5	—	—
Net loss attributable to common shareholders	$(245.9)	$(107.4)	$(51.5)
Basic loss per share	$(2.65)	$(2.00)	$(2.26)
Diluted loss per share	$(2.65)	$(2.00)	$(2.26)
Weighted-average common shares outstanding			
Basic weighted-average common shares outstanding	92.8	53.6	22.8
Diluted weighted-average common shares outstanding	92.8	53.6	22.8

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Comprehensive Loss

	Year Ended December 31,		
(In millions)	2015	2014	2013
Net loss	$(191.6)	$(63.6)	$(48.5)
Less: Net loss attributable to noncontrolling interests	0.5	—	—
Net loss attributable to the Company	$(191.1)	$(63.6)	$(48.5)
Other comprehensive (loss) income			
Foreign currency translation losses	$(68.5)	$—	$—
Unrealized gains on cash flow and net investment hedges, net of tax effect of $2.2, $0.0 and $0.0	6.9	—	—
Change in defined benefit plans liability, net of tax effect of $9.8, $0.0 and $0.0	(17.0)	—	—
Other comprehensive loss	(78.6)	—	—
Less: Other comprehensive loss attributable to noncontrolling interests	6.3	—	—
Other comprehensive loss attributable to the Company	$(72.3)	$—	$—
Comprehensive loss	$(270.2)	$(63.6)	$(48.5)
Less: Comprehensive loss attributable to noncontrolling interests	6.8	—	—
Comprehensive loss attributable to the Company	$(263.4)	$(63.6)	$(48.5)

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
(In millions)	2015	2014	2013
Operating activities			
Net loss	$(191.6)	$(63.6)	$(48.5)
Adjustments to reconcile net loss to net cash from operating activities			
Provisions for allowance for doubtful accounts	12.9	6.9	2.6
Depreciation and amortization	364.9	98.3	20.8
Stock compensation expense	27.9	7.5	4.7
Accretion of debt	6.4	7.3	6.0
Deferred tax benefit	(91.9)	(30.0)	(22.7)
(Gain) Loss on sale of assets	(11.8)	0.3	(0.2)
(Gain) Loss on foreign currency transactions	(0.4)	0.3	(0.9)
Other	9.7	3.7	2.4
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	7.8	(143.9)	(37.0)
Income tax receivable	(29.2)	2.1	0.1
Prepaid expense and other assets	(6.1)	7.1	(3.0)
Accounts payable	(51.3)	53.9	5.2
Accrued expenses and other liabilities	43.5	28.8	4.2
Cash flows provided (used) by operating activities	90.8	(21.3)	(66.3)
Investing activities			
Acquisition of businesses, net of cash acquired	(3,887.0)	(814.0)	(458.8)
Loss on forward contract related to acquisition	(9.7)	—	—
Payment for purchases of property and equipment	(249.0)	(44.6)	(11.6)
Proceeds from sale of assets	60.3	—	—
Other	—	0.3	0.1
Cash flows used by investing activities	(4,085.4)	(858.3)	(470.3)
Financing activities			
Proceeds from preferred stock and common stock offerings	1,260.0	1,131.3	253.6
Payment for equity issuance costs	(31.9)	(33.9)	(14.1)
Proceeds from issuance of long-term debt	4,151.8	500.0	—
Payment of debt issuance costs	(42.9)	(10.4)	—
Repayment of long-term debt	(1,215.6)	—	—
Proceeds from borrowings on revolving credit facility	—	130.0	73.3
Repayment of borrowings on revolving credit facility	—	(205.0)	—
Bank overdrafts	(12.3)	—	—
Purchase of noncontrolling interests	(459.7)	—	—
Dividends paid to preferred stockholders	(2.8)	(2.9)	(3.0)
Other	(1.7)	(6.9)	(4.1)
Cash flows provided by financing activities	3,644.9	1,502.2	305.7
Effect of exchange rates on cash	(4.6)	—	—
Net (decrease) increase in cash	(354.3)	622.6	(230.9)
Cash and cash equivalents, beginning of period	644.1	21.5	252.4
Cash and cash equivalents, end of period	$289.8	$644.1	$21.5
Supplemental disclosure of cash flow information:			

Cash paid for interest	$168.2	$19.0	$12.4
Cash paid for income taxes	$14.5	$2.3	$0.2
Equity portion of acquisition purchase price	$19.1	$138.2	$10.4
Equity issued upon conversion of debt	$55.6	$27.1	$—

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Changes in Stockholders’ Equity
For the Three Years Ended December 31, 2015, 2014 and 2013

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total
(Dollars in millions)	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2012	74	$ 42.8	—	$ —	18,003	$ —	(45)	$ (0.1)	$ 262.7	$ (60.2)	$ 245.2
Net loss	—	—	—	—	—	—	—	—	—	(48.5)	$ (48.5)
Tax withholdings on restricted shares and other issuances of common stock	—	—	—	—	192	—	—	—	(1.8)	—	$ (1.8)
Conversion of preferred stock to common stock	—	(0.1)	—	—	14	—	—	—	0.1	—	$ —
Proceeds from common stock offering, net of issuance costs	—	—	—	—	11,148	—	—	—	239.5	—	$ 239.5
Issuance of common stock for acquisitions	—	—	—	—	617	—	—	—	10.4	—	$ 10.4
Issuance of common stock upon conversion of senior notes, net of tax	—	—	—	—	609	—	—	—	9.4	—	$ 9.4
Dividend paid	—	—	—	—	—	—	—	—	—	(3.0)	$ (3.0)
Stock compensation expense	—	—	—	—	—	—	—	—	4.7	—	$ 4.7
Balance at December 31, 2013	74	42.7	—	—	30,583	—	(45)	(0.1)	525.0	(111.7)	$ 455.9
Net loss	—	—	—	—	—	—	—	—	—	(63.6)	$ (63.6)
Exercise of warrants and stock options and other	—	—	—	—	293	—	—	—	(4.5)	—	$ (4.5)
Conversion of Series A preferred stock to common stock	(1)	(0.5)	—	—	120	—	—	—	0.5	—	$ —
Proceeds from issuance of preferred stock, net of issuance costs	—	—	400	363.6	—	—	—	—	—	—	$ 363.6
Conversion of Series B preferred stock to common stock	—	—	(400)	(363.6)	12,128	—	—	—	363.6	—	$ —
Deemed distribution for recognition of	—	—	—	—	—	—	—	—	40.9	(40.9)	$ —

beneficial conversion feature on preferred stock											
Proceeds from common stock offering, net of issuance costs	—	—	—	—	27,953	0.1	—	—	733.7	—	$733.8
Issuance of common stock for acquisitions	—	—	—	—	4,704	—	45	0.1	138.1	—	$138.2
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	—	—	1,641	—	—	—	27.1	—	$27.1
Dividend paid	—	—	—	—	—	—	—	—	—	(2.9)	$(2.9)
Stock compensation expense	—	—	—	—	—	—	—	—	7.5	—	$7.5
Balance at December 31, 2014	73	$42.2	—	$—	77,422	$0.1	—	$—	$1,831.9	$(219.1)	$1,655.1

See accompanying notes to consolidated financial statements.

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XPO Logistics, Inc.
Consolidated Statements of Changes in Stockholders' Equity (continued)
For the Three Years Ended December 31, 2015, 2014 and 2013

	Series A Preferred Stock		Series C Preferred Stock		Common Stock				Accumulated Other Comprehensive Income (Loss)				
(In millions)	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Foreign Currency Translation Adjustments	Cash Flow & Net Investment Hedges	Employee Benefit Plans	Non-controlling Interests	Total
Balance at December 31, 2014	73	$42.2	—	$—	77,422	$0.1	$1,831.9	$(219.1)	$—	$—	$—	$—	$1,655.1
Net loss	—	—	—	—	—	—	—	(191.6)	—	—	—	—	$(191.6)
Other comprehensive income (loss), net of $7.6 total tax effect	—	—	—	—	—	—	—	—	(68.5)	6.9	(17.0)	—	$(78.6)
Transfer to noncontrolling interest from redeemable noncontrolling interest	—	—	—	—	—	—	4.2	—	—	—	—	320.4	$324.6
Acquisition of noncontrolling interest and activity during the year	—	—	—	—	—	—	—	0.5	6.7	(0.2)	(0.2)	23.3	$30.1
Exercise of warrants and stock options and other	—	—	—	—	683	—	2.9	—	—	—	—	—	$2.9
Conversion of Series A preferred stock to common stock	—	(0.2)	—	—	64	—	0.2	—	—	—	—	—	$—
Proceeds from issuance of preferred stock, net of issuance costs	—	—	563	548.5	—	—	—	—	—	—	—	—	$548.5
Conversion of Series C preferred stock	—	—	(563)	(548.5)	12,501	—	548.5	—	—	—	—	—	$—

to common stock													
Deemed distribution for recognition of beneficial conversion feature on preferred stock	—	—	—	—	—	—	52.0	(52.0)	—	—	—	—	$—
Proceeds from common stock offering, net of issuance costs	—	—	—	—	15,499	—	679.6	—	—	—	—	—	$679.6
Issuance of common stock for acquisitions	—	—	—	—	38	—	1.5	—	—	—	—	—	$1.5
Awards assumed in acquisition	—	—	—	—	—	—	17.6	—	—	—	—	—	$17.6
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	—	—	3,316	—	55.6	—	—	—	—	—	$55.6
Dividend paid	—	—	—	—	—	—	—	(2.8)	—	—	—	—	$(2.8)
Stock compensation expense	—	—	—	—	—	—	18.3	—	—	—	—	—	$18.3
Balance at December 31, 2015	73	$42.0	—	$—	109,523	$0.1	$3,212.3	$(465.0)	$(61.8)	$6.7	$(17.2)	$343.7	$3,060.8

See accompanying notes to consolidated financial statements.

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XPO Logistics, Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2015, 2014 and 2013

1. Organization

Nature of Business

XPO Logistics, Inc. and its subsidiaries ("XPO" or the "Company") provide comprehensive supply chain solutions to its customers, which are multinational, national, mid-size and small enterprises, and include many of the most prominent companies in the world. XPO runs its business on a global basis, with two reportable segments: Transportation and Logistics.

In the Transportation segment, the Company provides multiple services to facilitate the movement of raw materials, parts and finished goods. The Company accomplishes this by using its proprietary transportation management technology, third-party carriers and Company-owned trucks. XPO's transportation services include: freight brokerage, last mile, expedite, intermodal, less-than-truckload ("LTL"), full truckload, and global forwarding services. Freight brokerage, last mile, expedite and global forwarding are all non-asset or asset-light businesses. LTL and full truckload are asset-based.

In our Logistics segment, which we refer to as supply chain, the Company provides a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution, and other inventory solutions. The Company performs e-commerce fulfillment, reverse logistics, storage, factory support, aftermarket support, integrated manufacturing, packaging, labeling, distribution and transportation. In addition, we utilize technology and expertise to solve complex supply chain challenges and create transformative solutions for world-class customers, while reducing their operating costs and improving production flow management.

Substantially all of the Company's businesses operate as the single global brand of XPO Logistics. Under the Company's cross-selling customer service initiative, all services are offered to all customers to fulfill their supply chain requirements.

For specific financial information relating to the above segments, refer to Note 20—Segment Reporting and Geographic Information.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenue and expense during the reporting period. Estimates have been prepared on the basis of the most current and best available information, but actual results could differ materially from those estimates. Intercompany transactions have been eliminated in the consolidated financial statements. Where the presentation of these intercompany eliminations differs between the consolidated and reportable segment financial statements, reconciliations of certain line items are provided. The results of operations of acquired companies are included in the Company's results from the closing date of the acquisition and forward. Income or loss attributable to noncontrolling interests is deducted from net income/loss to determine net income/loss attributable to common shareholders.

Consolidation

The Company's financial statements consolidate all of its affiliates in which it has a controlling financial interest, most often because the Company holds a majority voting interest. To determine if the Company holds a controlling financial interest in an entity, the Company first evaluates if it is required to apply the variable interest entity ("VIE") model to the entity; otherwise the entity is evaluated under the voting interest model.

Where the Company holds current or potential rights that give it the power to direct the activities of a VIE that most significantly impact the VIE's economic performance combined with a variable interest that gives the Company the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, the Company has a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the design of an entity, the Company reconsiders whether it is subject to the VIE model. The Company continuously evaluates whether it has

a controlling financial interest in a VIE.

The Company holds a controlling financial interest in other entities where it currently holds, directly or indirectly, more than 50% of the voting rights or where it exercises control through substantive participating rights or as a general partner. Where the Company is a general partner, it considers substantive removal rights held by other partners in determining if it holds a controlling financial interest. The Company reevaluates whether it has a controlling financial interest in these entities when its voting or substantive participating rights change.

Associated companies are unconsolidated VIE's and other entities in which the Company does not have a controlling financial interest, but over which it has significant influence, most often because the Company holds a voting interest of 20% to 50%. Associated companies are accounted for as equity method investments. Results of associated companies are presented on a one-line basis, net of tax, in other income/expense. Investments in, and advances to, associated companies are presented on a one-line basis in the other long-term assets line item in the consolidated balance sheet, net of allowance for losses, which represents the Company's best estimate of probable losses inherent in such assets.

Use of Estimates

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

Consolidated Balance Sheets and Statements of Cash Flows Presentation

Certain line items from the December 31, 2014 consolidated balance sheet and consolidated statement of cash flows for the years ended December 31, 2014 and 2013 have been conformed to the 2015 presentation. As a result of the retrospective adoption of ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," debt issuance costs of $11.8 million at December 31, 2014 are now recognized as a direct deduction from the carrying amount of the related debt liability rather than as a long-term asset. Additionally, as a result of the retrospective application of ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," the current portion of deferred tax assets of $9.2 million at December 31, 2014 is now classified as noncurrent. The conformed line items had no impact on previously reported results.

Significant Accounting Policies

Revenue Recognition

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

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

The Company's Logistics segment recognizes a significant portion of its revenue based on objective criteria that do not require significant estimates or uncertainties. Revenue on cost-reimbursable contracts is recognized by applying a

factor to costs as incurred, such factor being determined by the contract provisions. Revenue on unit-price contracts is recognized at the contractual selling prices or as work is completed. Revenue on time and material contracts is recognized at the contractual rates as the labor hours and direct expenses are incurred. Revenue from fixed-price contracts is recognized as services are provided, unless revenue is earned and obligations fulfilled in a different pattern. Certain contracts provide for labor handling charges to be billed for both incoming and outgoing handling of goods at the time the goods are received in a warehouse. For these contracts, revenue is recognized immediately for the amounts representing handling of incoming goods and deferred revenue is recorded for the performance of services related to the handling of outgoing goods, which is recognized once the related goods leave the warehouse. Storage revenue is recognized as it is earned based on the length of time the related product is stored in the warehouse. Generally, the contracts contain provisions for adjustments to future pricing based upon changes in volumes, services and other market conditions, such as inflation. Revenue relating to such incentive or contingency payments is recorded when the contingency is satisfied and the Company concludes the amounts are earned.

For all lines of business (other than the Company's managed expedited freight business and the Company's Logistics segment with respect to those transactions where its contract logistics business is serving as the customer's agent in arranging purchased transportation), the Company reports revenue on a gross basis in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 605, "Reporting Revenue Gross as Principal Versus Net as an Agent." The Company believes presentation on a gross basis is appropriate under ASC Topic 605 in light of the following factors:

- The Company is the primary obligor and is responsible for providing the service desired by the customer.