Gogo Inc.
Form 10-K
February 27, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One):

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from __________ to __________

Commission File Number: 001-35975

Gogo Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-1650905**
(State or other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1250 North Arlington Heights Rd.

Itasca, IL 60143

(Address of principal executive offices)

Telephone Number (630) 647-1400

(Registrant s telephone number, including area code)

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

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

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if 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 Exchange Act). Yes ¨ No x

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant s most recently completed second fiscal quarter, was $1,089,961,929 based upon the closing price reported for such date on the NASDAQ Global Select Market.

As of February 17, 2015, 85,312,619 shares of $0.0001 par value common stock were outstanding.

Documents Incorporated By Reference

Portions of the registrant s definitive Proxy Statement for its Annual Meeting of Stockholders scheduled to be held June 16, 2015 are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant s fiscal year ended December 31, 2014.

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INTRODUCTORY NOTE

Unless the context otherwise indicates or requires, as used in this Annual Report on Form 10-K for the fiscal year ended December 31, 2014 references to: (i) we, us, our, Gogo, or the Company refer to Gogo Inc. and its directly and indirectly owned subsidiaries as a combined entity, except where otherwise stated or where it is clear that the term means only Gogo Inc. exclusive of its subsidiaries; (ii) CA business refers to our commercial aviation North American, or CA-NA, segment and our commercial aviation rest of world, or CA-ROW, segment, taken as a whole and (iii) fiscal, when used in reference to any twelve-month period ended December 31, refers to our fiscal years ended December 31. Unless otherwise indicated, information contained in this Annual Report is as of December 31, 2014. We have made rounding adjustments to reach some of the figures included in this Annual Report and, unless otherwise indicated, percentages presented in this Annual Report are approximate.

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, international expansion, future technologies, future operations, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words anticipate, assume, believe, budget, continue, could, estimate, expect, intend, may, plan, pote should, will, future and the negative of these or similar terms and phrases are intended to identify forward-looking statements in this Annual Report on Form 10-K. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially under Risk Factors, Quantitative and Qualitative Disclosures about Market Risk, and Management s Discussion and Analysis in this report. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Item 1. Business

Who We Are

Gogo s mission is to advance aviation by connecting every aircraft with the most trusted communications services on and above our planet. We believe that internet connectivity will transform the global aviation industry by providing real-time information to meet the needs of connected aircraft and that we are well-positioned to lead this transformation.

Gogo is a leading aero communications service provider for the global aviation industry and the only telecommunications company focused exclusively on the unique requirements of connected aircraft. Our commercial aviation business, which operates through our North America (CA-NA) and Rest of World (CA-ROW) segments, provides connectivity-based solutions that enable our airline partners to differentiate their service offerings, increase passenger satisfaction, unlock new revenue streams and achieve operational efficiencies. Our business aviation segment (BA) offers a broad suite of in-flight internet connectivity and other voice and data communications products and services under our Gogo Business Aviation (formerly Aircell) brand to the business aviation market.

Our full fleet solutions enable our airline partners and business aircraft owners and operators to benefit from connected aircraft by delivering in-flight connectivity-based services to passengers and connecting the aircraft and its

crew with ground-based operations. We currently provide services on approximately 9,000 aircraft, which represents more than 20% of the world s total commercial and business jet aircraft. Our scale position supports excellence in operational execution, as well as what we believe to be an industry-leading research and development program that enables us to pioneer groundbreaking technologies for the global aviation industry.

What We Offer

We provide a compelling suite of connectivity solutions and other services to commercial airlines and business aircraft owners and operators, including:

Global Network Solutions. We have the broadest array of connectivity solutions in the commercial and business aviation markets, which gives us the unique ability to offer the right solution for each aircraft type and route. Our technology suite is designed to meet the cost, capacity, coverage and reliability requirements of airlines, aircraft owners and operators and their passengers around the world and includes our near-global satellite network, which supports the globalization of our business. We believe that this broad suite of network solutions enables us to provide equipment to more aircraft and full fleet solutions to more airlines than our competitors. We also believe that airlines, aircraft owners and operators and passengers value the availability and consistency of full fleet solutions.

ATG/ATG-4: Our air-to-ground (ATG) offerings are available to commercial and business aircraft flying routes in the continental United States, Alaska and portions of Canada using our ATG and ATG-4 technologies. Through CA-NA and BA, we offer our proprietary ATG/ATG-4 broadband internet connectivity services, which provide peak speeds to the aircraft of 3.1 Mbps and 9.8 Mbps, respectively. Our ATG/ATG-4 technologies offer a number of advantages as compared to satellite technologies for aircraft not flying over large bodies of water, in particular smaller commercial aircraft, including regional jets, and business aircraft. These advantages include, lower bandwidth costs, a lower equipment profile and less weight, which reduces aircraft drag and fuel burn and associated operating costs, and lower equipment and installation costs. Our BA business provides our ATG broadband internet connectivity service, marketed as Gogo Biz, with equipment small and light enough for virtually any aircraft.

Ku/2Ku: Our near-global Ku-band satellite service is capable of delivering peak speeds of up to 50 Mbps and utilizes capacity from satellite operators, such as SES and Intelsat. Our next generation global satellite solution, 2Ku, was introduced to the market in 2014 and is expected to be commercially available by the end of 2015. 2Ku employs two low-profile, highly efficient satellite antennas (one for transmission to the aircraft and the other for transmission from the aircraft) that provide twice the spectral efficiency of our Ku-band service, and results in less drag and fuel burn as compared to other satellite alternatives. Our 2Ku satellite antennas can be used in conjunction with all Ku-band satellites in operation today and are designed to work with spot beam and other high capacity Ku-band satellites to be launched in the future without the installation of new antennas. We expect 2Ku to provide peak speeds of up to 70 Mbps to the aircraft, based on current Ku-band satellite technology, with peak speeds of up to 100 Mbps expected following the introduction of spot beam satellites. We also expect 2Ku to be capable of delivering live television and other broadcast services to passengers.

Global Xpress: Our Ka-band satellite solution is expected to be available via Inmarsat s Global Xpress service, for which we are a distribution partner, and is expected to deliver peak speeds of up to 50 Mbps. Two of the three Global Xpress satellites have been successfully launched and we currently expect to offer the service to commercial airlines following the launch of the remaining satellite when

service is made available by Inmarsat.

Iridium and SwiftBroadband (SBB): Our satellite telecom services for business aircraft and commercial aircraft with lower bandwidth needs are comprised of our Iridium-based and SBB based systems. We are the largest reseller of Iridium satellite service to the business aviation market, with the service capable of delivering peak speeds of up to 2.4 Kbps. Our SBB satellite network provides near global coverage and is supported by three geostationary (Inmarsat I-4) satellites in orbit and is capable of delivering peak data transmission rates of up to 432 Kbps.

Equipment and Equipment Related Services. We offer a complete package of airborne equipment for our ATG/ATG-4 and satellite services. For commercial aviation, we also offer installation, certification

and maintenance services. We are required by the Federal Aviation Administration (FAA) to secure the necessary Supplemental Type Certificates (STC) for each aircraft type operated by each airline partner on whose aircraft our equipment will be installed, and foreign aviation authorities have similar requirements. Our ATG/ATG-4 equipment can be installed overnight, so the aircraft does not go out of service, and we believe that we complete satellite installations more quickly than our competitors. In early 2014, Boeing agreed to line-fit provisions for our ATG-4 technology, which will allow Gogo equipment to be installed on certain commercial aircraft models currently in production. In late 2014, Gogo entered into a technical services agreement with Boeing as an initial step for line-fit installations of our in-cabin wireless network, Gogo Vision and Ku-band satellite technologies. We offer equipment repair and replacement services for all of our airline partners and are available to provide aircraft maintenance services upon request.

Our BA business offers a number of hardware solutions, including the UCS 5000 system, business aviation s first all-in-one smart router and media server, which is a single system that orchestrates, manages, and delivers connectivity, entertainment, and information services, while managing multiple networks. UCS 5000 works with Gogo Biz and supports Gogo Text & Talk. BA also offers Gogo OnePhone, which provides superior voice quality and noise reduction, is easy to use and is designed to complement business aircraft interiors.

Passenger Services

Passenger Connectivity. Our Gogo connectivity service (Gogo Connectivity) allows passengers in the commercial and business aviation markets to connect to the internet in-flight from their personal Wi-Fi enabled devices to browse the web, send and receive email and instant messages, access corporate VPNs and utilize other connectivity-based applications. Among these applications, Gogo Connectivity provides access to Gogo Text & Talk, which allows passengers to use their own smartphones, numbers and contact lists to send and receive text messages and, where permitted, to make voice calls while in flight. We offer a variety of passenger access, billing and pricing options tailored to various devices, routes and session durations, in addition to monthly and annual subscriptions.

Passenger Entertainment. Through Gogo Vision, our video-on-demand product accessible from passengers personal Wi-Fi enabled devices, we offer passengers in the commercial and business aviation markets the opportunity to enjoy a selection of in-flight entertainment options, which currently includes on-demand movies and television shows. Our Gogo Vision product permits business aircraft operators in North America to receive content updates at select Signature Flight Support locations through our Gogo Cloud content distribution network.

Portal Content. In addition to providing access to connectivity and entertainment, Gogo works with airlines and media partners to provide passengers access to a broad range of products and services including travel sites, flight tracker, destination-based information and event ticketing, weather information and e-commerce. Our in-flight portal provides our media partners with direct access to an attractive, high-value, targeted, and undistracted audience. Our media partner solutions include digital marketing campaigns, sponsorships, and e-commerce, whereby the partner pays for ad placement and we earn revenue share on transactions made through the portal. Further, through the whitelisting of certain of our media partners websites, passengers can access these sites without purchasing a connectivity session.

Airline/Owner/Operator Services

Account Support. Our equipment sales and in-flight connectivity and entertainment services are accompanied by robust customer support. In commercial aviation, we have dedicated account and program management teams to support each airline partner s objectives, such as driving awareness, increasing take rates and providing regular reporting of system performance and service statistics. In BA, we have dedicated customer service, technical support and sales and

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engineering support teams committed to supporting our global customer base. In 2014, our BA business was recognized by Aviation International News for the fourth year in a row as providing the best customer support among cabin electronics providers in the business aviation market.

Network Monitoring and Management Services. We provide end-to-end solutions to our airline partners, saving them time and money. Our Network Operations Center (NOC) is the central location monitoring daily network operation and provides management and surveillance of network performance 24 hours a day, 365 days a year. Irrespective of the technology employed, our customized airborne network components together with our data center network nodes allow us to actively manage data traffic in order to maintain the speed and quality of the Gogo service through sophisticated bandwidth management.

Passenger Support Services. Our passenger connectivity services are supported by a variety of services and expertise, such as designing and implementing passenger access and pricing options and serving as the merchant of record for customer payments, including credit card processing. We are the only in-flight connectivity or entertainment provider to provide in-flight customer support. Our customer care contact center provides real-time support and customer service to passengers in-flight and consumers and enterprise customers on the ground 24 hours a day, 365 days a year, via real-time chat or email.

Portal Design, Development and Hosting. We are able to develop, deliver, maintain and host a customized multi-language, multi-currency portal for our airline partners. Through our customized portal, we have developed a real-time, in-flight ad serving solution which enables us to provide destination specific content, messaging and merchandising.

Operations-Oriented Communications Services.

These services provide commercial airlines and business aircraft owners and operators the ability to use applications requiring connectivity that improve the passenger experience and enhance operational efficiency. For example, our network currently supports real-time credit card processing for passenger food and beverage purchases on commercial aircraft and pilots access to real-time weather information. Further, our BA business offers next generation Future Air Navigation System (FANS) over Iridium which allows flight crews and air traffic controllers to exchange safety-sensitive information via a digital data link and enables automated position reporting via the aircraft s flight management system. FANS assists flight crews in obtaining preferential altitudes and routing to improve efficiency, reduce fuel consumption and save flight time. Our commercial airline partners and business aircraft owners and operators are increasingly demanding new applications that collect, analyze and transmit real-time performance and other data and view them as a competitive advantage. As the range and capabilities of such applications further develop and become available, we believe that we will be well positioned to capitalize on this market demand.

Our Business Segments and their Customers

Our business is conducted through three segments: CA-NA, CA-ROW (together with CA-NA, commercial aviation or CA) and BA.

CA-NA. Through CA-NA, we currently offer our broad range of connectivity-based services to commercial airlines flying routes that generally begin and end within North America, which for this purpose includes the United States, Canada and Mexico primarily through our ATG network, using our ATG and ATG-4 technologies on commercial aircraft operated by Delta Air Lines, American Airlines, US Airways, Alaska Airlines, Virgin America, United Airlines and Air Canada pursuant to long-term agreements. As of December 31, 2014, CA-NA had 2,098 aircraft online, 1,419 of which were equipped with ATG and 679 of which were equipped with ATG-4, and Gogo Vision was in operation on 1,375 of such aircraft. This segment generated revenues of $ 250.8 million, $199.1 million and

$134.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. CA-NA segment profit was $26.0 million for the year ended December 31, 2014 and segment loss was $1.3 million and $12.2 million for the years ended December 31, 2013 and 2012, respectively.

CA-ROW. Through CA-ROW, we offer our entertainment and satellite-based connectivity services to foreign-based commercial airlines and international flights of North American-based commercial airlines and provide network monitoring and management services to our airline partners. We currently provide Ku-band based connectivity services to commercial aircraft operated by Delta Air Lines and Japan Air Lines. As of December 31, 2014, our CA-ROW segment had 85 aircraft online and 26 aircraft were in operation with Gogo Vision. This segment generated revenues of $2.1 million, $1.6 million and $0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. CA-ROW segment loss was $78.1 million, $41.0 million and $14.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. These results reflect that our CA-ROW business is in the start-up phase, as we launched commercial international service in March 2014.

In August 2014, we signed a long-term agreement with AeroMexico, pursuant to which our 2Ku solution will be installed on a portion of its fleet and Gogo Vision will be installed on its domestic regional fleet. In December 2014, we signed a long-term agreement with Virgin Atlantic Airlines, pursuant to which a significant portion of Virgin Atlantic s fleet will be retrofitted with our 2Ku solution, making it the first European airline to partner with Gogo.

In February 2015, Delta Air Lines selected Gogo to provide 2Ku on more than 250 aircraft flying domestic, Latin American and Caribbean routes, with installations expected to begin by 2016, and on certain aircraft in its international fleet as such aircraft are delivered. In addition, Delta intends to partner with us in launching a next generation air-to-ground technology. We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology and intend to intensify the planning and design of such technology in the near term.

BA. Through BA, we offer a broad suite of in-flight internet connectivity and other voice and data communications products and services under our Gogo Business Aviation brand to the business aviation market. We are the only provider of both equipment and services for three of the primary connectivity network services in the business aviation market: Gogo Biz, which delivers broadband internet connectivity over our proprietary ATG network, and the Iridium and SBB satellite networks. BA s customers include original equipment manufacturers of business aircraft such as Cessna, Gulfstream, Bombardier, Learjet, Dassault, Embraer and Beechcraft, leading aftermarket dealers and all of the largest fractional jet operators including NetJets, Flexjet and Flight Options. We have a distribution network of more than 175 independent certified dealers that serve locations in the U.S., Europe, Africa, South America and Asia. Since 2009, BA has evolved from primarily a hardware sales business to a provider of integrated equipment, network and services solutions. As of December 31, 2014, we had 2,797 Gogo Biz broadband systems online and 5,377 satellite systems online. This segment generated revenues of $155.6 million, $127.5 million and $98.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. BA segment profit was $63.0 million, $50.7 million and $35.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Growth Strategy

Our mission is to advance aviation by connecting every aircraft, using the following strategies:

Increase Number of Gogo-connected Aircraft

Commercial Aviation. As of December 31, 2014, Gogo served 2,183 of the approximately 19,200 existing global commercial aircraft. We have contracts to install approximately 880 additional aircraft in North America (with approximately 200 deinstallations expected to occur by the end 2018 due to aircraft retirements) and approximately 220 additional aircraft outside of North America. We plan to

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leverage our unique ability to cost-effectively equip each commercial aircraft type in an airline s fleet to increase the number of Gogo-equipped aircraft, targeting full-fleet availability of the Gogo service for all of our airline partners. We continue to pursue this significant global growth opportunity by leveraging our strong commercial aviation partnerships, broad technology platform and operational expertise. We have a global sales force and an operational near-global Ku-band network that currently provides coverage approximately 200 countries and territories. Our 2Ku service is scheduled to deploy in the second half of 2015. Two airline partners have contracted to install 2Ku on a long-term basis and one airline partner has agreed to a 2Ku trial. In addition, three other airlines have announced their intent to install 2Ku on either a long-term or a trial basis.

Further, we offer attractive business models to our airline partners, including a turnkey solution where we provide the airline with the full range of our services and the airline-directed model, where the airline has the ability to determine which of our many end-to-end solutions it wants Gogo to provide and which services it wants to provide itself.

Business Aviation. As of December 31, 2014, the business aviation market was comprised of over 22,000 business aircraft in North America and approximately 7,500 business aircraft in the rest of the world. As of December 31, 2014, we had 2,797 Gogo Biz broadband systems online and 5,377 satellite systems online. We believe our integrated combination of equipment, networks, services and support is unmatched in its breadth by any competitor. We plan to leverage our existing ATG network to expand in North America and use Inmarsat SBB and Global Xpress to grow our business internationally. In 2014, we rolled out our next generation Iridium satellite communication solution, ST4300, which is our most advanced Iridium-based communications solution, combining voice, narrowband data and cockpit data link services into a single unit. It allows business aircraft operators to configure cabin and flight deck communications based on their specific needs and budgets. It also provides global service coverage on the ground and in the air.

Increase Revenue per Aircraft

We believe the needs of connected aircraft will continue to drive average revenue per aircraft (ARPA) and that passenger connectivity is currently the most important component in this calculation. Over time, we expect ARPA will also be driven by the use of operational applications as they become a more important factor in total revenue. We believe additional capacity is critical to growing APRA.

Our strategies for increasing passenger revenue include the following:

Increase Passenger Use of Connectivity. Our connectivity services are compatible with a broad range of Wi-Fi enabled devices, including tablets, laptops, notebooks, smartphones and e-readers. We intend to increase our connectivity take rate through the following:

Increase Network Capacity. We have been executing on our technology roadmap through our on-going deployment of ATG-4, which will increase CA-NA network capacity and support greater passenger use and the growing demand for our connectivity-based services. We expect that our 2Ku technology, through its innovative design and greater spectrum efficiency, will increase the number of users that can access our service following its launch in the second half of 2015.

Increase Flexible Pricing and Payment Options. In our CA business, in order to appeal to a broad spectrum of travelers, we intend to continue to tailor our pricing and access options to various devices, routes, session durations and products. In CA, passengers can utilize Gogo Connectivity by registering and paying for in-flight connectivity sessions that are offered in a variety of formats: time-based passes, route-based passes, day passes or subscription products. We offer the ability to purchase in-flight, on the ground through Gogo s website and certain of our airline partners websites, and through other third parties. Gogo Connectivity is also available to airline passengers through roaming partners (Gogo Connectivity sold to ground-based Wi-Fi internet providers or gateways who resell to their customers) and on a wholesale basis (Gogo Connectivity

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sold to companies who in turn make Gogo Connectivity available through customer loyalty programs or as incentives for their direct customers). Additionally, we accept alternative payment methods in addition to credit cards, which gives our customers additional flexibility.

Through BA, we expect to continue to offer flexible pricing for our broadband and voice services, allowing aircraft operators and owners various options based on data usage, flight frequency and number of aircraft serviced. For example, we provide our Gogo Biz service to business aircraft operators and owners on fixed usage or unlimited monthly service plans and in 2014, we introduced SBB airtime programs, which include a wide variety of SBB data and voice plans and a large selection of value-added services and self-care tools.

Increase Deployment and Usage of Entertainment and Other Content Services. We currently plan to increase the number of commercial aircraft equipped with Gogo Vision from more than 1,800 aircraft at December 31, 2014 to approximately 2,200 aircraft by the end of 2015. We also intend to continue to expand the library of on-demand movies and television shows available through Gogo Vision by further collaborating with movie studios, television networks and other content providers. In 2014, we launched Delta Studio with Delta Air Lines, a custom wireless in-flight entertainment product leveraging the Gogo Vision platform, to offer passengers in premium seats access to all content free of charge, while economy passengers will have access to selected titles free of charge. Our seat selection technology integrates with Delta s flight records through an application program interface and delivers the appropriate content when a passenger enters his or her name and seat number.

Offer New Services. We will continue to innovate and introduce new services and product offerings. For example, in 2014 we began offering Gogo Text & Talk, which allows passengers to use their own smartphones to send and receive text messages (as well as make and receive phone calls where permitted) while in flight. This low bandwidth service is expected to generate incremental revenue with minimal additional operating costs or investments in our existing technology infrastructure and can be offered at a lower price than Gogo Connectivity. Accordingly, we expect the service will expand our user base and create a new revenue stream. In 2014, we entered into an agreement with T-Mobile to deliver free in-flight texting and voicemail to their customers on all Gogo equipped U.S. commercial airlines.

Expand Operations-Oriented Communications Services. Our connectivity services can be used to provide connectivity to the cabin crew and cockpit and enable remote diagnostics of aircraft components, engines avionics and hydraulics. We intend to continue to expand our operations-orientated communications services to support airlines use of what we expect to be a growing number of increasingly sophisticated applications designed to improve the passenger experience and operational efficiency. By enabling airlines and aircraft operators to integrate their aircraft with their ground-based information technology infrastructure, we expect our operations-oriented communications services will facilitate the use of connectivity-based applications that collect, analyze and use real-time data, disseminate critical flight data to pilots in-flight and direct communication with passengers and crew, and provide real time diagnostics for the airline and aircraft. Additionally, because of our close connection to the aircraft and our application platform, we believe that we are well-positioned to support suppliers of certain aircraft components and systems that seek to monitor and transmit data related to the performance of their products.

Innovate and Evolve Our Technology and Operations

We will continue to innovate and evolve our technology platform to support global capacity demands, facilitate the roll-out of new service offerings and improve the performance and reliability of our existing offerings. To this end, we will continue to:

Innovate and Deploy New Solutions. We offer the broadest array of inflight connectivity technologies currently available in the market ATG/ATG-4 and multiple satellite technologies so that our airline and aircraft customers can select the best solution for a given fleet based on aircraft sizes and routes.

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We will continue to roll out ATG-4 to more aircraft, expand the number of cell sites in our ground network and otherwise optimize the network. We also expect to launch our high efficiency 2Ku technology in the second half of 2015. We expect a new equipment package, ATG 8000, to become available to our BA segment in April 2015. ATG 8000 is expected to enable passengers on corporate shuttles and other high-density operations to realize a significant increase in connectivity, speed and capacity, when compared to the currently offered ATG 2000, ATG 4000 and ATG 5000 under Gogo Biz.

We will continue to expand our global satellite network coverage through the purchase of additional Ku-band, SBB and, when available, Ka-band capacity, and install more aircraft with our satellite solutions, while continuing to invest in research and development of satellite antenna and modem technologies. We will also continue to work with satellite service providers to influence the design and performance parameters of next generation satellites.

Invest in Operational Excellence. Gogo has the largest fleet of connected aircraft in the world and we have acquired significant technological and operational know-how and developed long-term and robust supplier relationships. We plan to enhance our ability to install new equipment and upgrade our installed equipment and software, including installation of Gogo Vision, overnight upgrades to our ATG-4 technology, and upgrades to 2Ku and Ka-band satellite technology as and when available, through our strategically located installation and maintenance teams and our advanced monitoring and remote software management capabilities. We have two data centers: a primary center and a secondary center for redundancy. In order to increase the bandwidth from our cell sites to our data centers, we have recently replaced the majority of our T-1 lines with fiber.

Contracts with Airline Partners

In our CA business we enter into connectivity agreements with our airline partners that allow our ATG and/or satellite equipment to be installed, and the Gogo service provided, on their aircraft. Under these agreements, the airlines commit to have our equipment installed on some or all of the aircraft they operate, and we commit to provide Gogo Connectivity on such aircraft and to remit to the airlines a specified percentage of the service revenue that we generate. Under certain of our connectivity agreements, our airline partners will also become obligated to pay us monthly service fees for satellite-based connectivity service once the service becomes available on their aircraft. We have the exclusive right to provide internet connectivity services on Gogo installed aircraft throughout the term of the agreement in contracts with airline partners from which we derive a substantial majority of our CA revenue. The majority of our contracts with our airline partners have 10 year staggered terms, with expiration occurring on a fleet by fleet basis based on installation dates or on a contract basis, depending on the contract. Under our current contracts, the first expiration, will occur in 2016 and the last in 2025.

Historically, our CA business has offered our airline partners a turnkey model, under which we provide the airline with the full range of our services, charge the passenger for Gogo Connectivity or Gogo Vision services and remit to the airline a specified percentage of passenger revenue. Under such model, for satellite-based connectivity services, the airline typically pays Gogo a monthly fee for network monitoring and management services. We have recently begun to offer the airlines the additional option of an airline directed model, whereby the airline partner has flexibility to determine which of the many end-to-end services it wants Gogo to provide and which services it wants to provide itself. For example, the airline may elect to assume responsibility for directly distributing in-flight connectivity and entertainment services to its passengers rather than using Gogo as the distributor; in such case the airline and Gogo will determine a fee structure that compensates Gogo for connectivity and the bandwidth consumed and any other services for which Gogo has responsibility.

Depending on the contract, installation and maintenance services may be performed by us and/or the airline. The agreements also vary as to who pays for installation and maintenance of the equipment. In addition, under contracts with airline partners from which we derive a substantial majority of our CA-NA segment revenue, we

are obligated, subject to certain limitations, to upgrade or improve the equipment installed on each such airline s fleet, at our expense, if we provide connectivity services to another airline that constitute a material improvement with respect to the functionality and/or reliability of the connectivity service offered at that time to such airline partners. Under certain contracts, we may also incur additional obligations or our airlines may be entitled to greater portions of connectivity revenue based on the number of aircraft installed with our equipment and the timing of such installations. Our contracts with certain of our airline partners set forth specified timelines for the installation of certain equipment, and our failure to meet such timelines requires us to credit or pay our airline partners liquidated damages and/or cover a portion or all of the costs of installing alternative equipment on certain aircraft. See Risk Factors Risks Related to Our CA Business A failure to maintain airline satisfaction with our connectivity equipment or the Gogo service could have a material adverse effect on our revenue and results of operations. A connectivity agreement with one of our airline partners, from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue, requires us to provide our airline partner with an annual cash rebate and a reduction in certain charges beginning in June 2014 if our service is available on a specified number of aircraft in our airline partner s fleet. Our connectivity agreements with another one of our airline partners, from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue, entitle our airline partner to a higher connectivity revenue share if our service is available on a specified number of aircraft in our airline partner s fleet.

The connectivity agreements require that Gogo and the airline engage in independent and joint marketing efforts intended to increase awareness and usage of the Gogo services. As of December 31, 2014, under agreements with five of our airline partners, the scope of the services provided by Gogo has been expanded to include Gogo Vision and we are discussing with our other airline partners the possibility of providing Gogo Vision on their installed fleets. Other services provided by Gogo under certain agreements include content filtering and certain airline operational services, such as electronic flight bag and voice services on the flight deck.

Revenue from passengers using the Gogo service while flying on aircraft operated by Delta Air Lines accounted for approximately 26% of our consolidated revenue for the year ended December 31, 2014. Our contract with Delta Air Lines for its mainline and regional jet fleets expires on the 10-year anniversary of specified installation milestones. The mainline fleet expiration date will occur in 2019 and the regional jet expiration date will occur in 2022. Our contract with Delta for Ku-band satellite service on its international fleet expires on March 1, 2024. Revenue from passengers using the Gogo service while flying on aircraft operated by American Airlines accounted for approximately 14% of our consolidated revenue for the year ended December 31, 2014. Our contract with American Airlines for its domestic aircraft has different expiration dates for different fleet types. Generally the contract with respect to each fleet type expires on the 10-year anniversary of the date on which 90% of such fleet type has been installed with our ATG equipment, with the first expiration date occurring in 2018 and the last in 2025. Our contract with American Airlines for ATG-4 and Ku-band satellite service on its Airbus A320 and Boeing 737 fleets contract expires on the 10-year anniversary of the date on which we first charge passengers on its Airbus A320 fleet in connection with their use of our connectivity services. No other contract accounted for more than 10% of our consolidated revenue for the year ended December 31, 2014. Each of our contracts with Delta Air Lines and American Airlines allows the airline to terminate the contract should the percentage of passengers using the Gogo service on the airline s flights not meet certain thresholds. We currently experience, and for the last four years have experienced, connectivity take rates in excess of those thresholds. Our contracts with Delta and American also permit these airlines to terminate their contracts prior to expiration upon the occurrence of other certain contractually stipulated events. See Risk Factors Risks Related to Our CA Business We are dependent on agreements with our airline partners to be able to access the passengers. Payments by these passengers for our services have provided, and we expect will continue to provide, a significant portion of our revenue. Our failure to realize the anticipated benefits from these agreements on a timely basis or to renew any existing agreements upon expiration or termination could have a material adverse effect on our financial condition and results of operations, Risk Factors Risks Related to Our CA Business If we are unable to successfully implement planned or future technology enhancements to increase our network capacity, or our airline

partners do not agree to such enhancements, our ability to maintain

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sufficient network capacity and our business could be materially and adversely affected and Risk Factors Risks Related to Our CA Business A failure to maintain airline satisfaction with our connectivity equipment or the Gogo service could have a material adverse effect on our revenue and results of operations. If our contracts with Delta Air Lines or American Airlines were to be terminated for any reason, it would have a material adverse effect on our CA-NA segment.

Manufacturing, Installation and Maintenance

We have two manufacturing and assembly facilities and have fostered manufacturing, installation and maintenance relationships to provide quality service in our product offerings. Our approach has been to take proven technologies for terrestrial applications and adapt them to work for the inflight connectivity market to ensure a consistent level of service.

Our CA and BA manufacturing activities take place at FAA-certified manufacturing and production facilities in Bensenville, Illinois and Broomfield, Colorado respectively. The facilities are FAA-certificated repair stations and are operating in accordance with FAA-issued ratings and quality control systems, pursuant to FAA regulations. The repair stations authorized activities include receiving, inspecting, equipment and system testing, kitting, warehousing and completion of regulatory shipping documentation. We work with our airline partners and third-party vendors to install and maintain our equipment on aircraft. Some of our airline partners choose to use their own mechanics to provide installation and maintenance services, in which case we provide training and on-site installation support and logistics. Other airlines look to us for these services as all of our installation and maintenance vendors meet the certification requirements established by the airlines and the FAA.

Technology Infrastructure

Gogo s proprietary ATG network and technology platform, consisting of both hardware and software in the aircraft and on the ground, have been designed and developed to create highly compelling user experiences and enable future domestic and international Gogo service and product growth, while managing the bandwidth and regulatory constraints associated with in-flight media and content delivery. We have developed sophisticated custom software and hardware that optimizes the air-to-ground link (direct air-to-ground and satellite-based) and traffic through the ability to monitor end-to-end network performance from the ground. Our network and systems architecture was designed to evolve with best of breed technologies and enable us to employ new technological innovations across our own ATG network and third-party satellite networks using Ku-band satellite service and, as and when available, other satellite-based solutions, including Ka-band satellite service.

Our expenditures for research and development are charged to expense as incurred and totaled $36.9 million, $29.8 million and $23.6 million for the years ended December 31, 2014, 2013, and 2012, respectively.

Our ATG Network

Since winning the FCC auction for the broadband (3 MHz) portion of the ATG spectrum in 2006, we have held the exclusive spectrum license that allows us to be the sole provider of in-flight broadband services in the United States based on a direct aircraft to ground link using spectrum reserved for ATG services. In the second quarter of 2013, we consummated the acquisition of LiveTV Airfone, LLC (Airfone), through which we acquired the FCC license for 1 MHz of ATG spectrum (1 MHz FCC License) held by LiveTV, LLC (LiveTV). In 2012, Industry Canada issued to our Canadian subsidiary the exclusive rights to use Canadian ATG spectrum of which SkySurf is the primary licensee (the License Agreement). The License Agreement has an initial term of ten years and is renewable at our option for an additional 10-year term following the initial expiration and thereafter for a further five-year term.

As of December 31, 2014, our ATG network in the continental United States consisted of 225 cell sites (approximately 1,320 sectors). We expect to add cell sites in each of the next several years to maintain efficient

delivery of our growing mobile broadband services. Our current plan, which may be revised, based on technical and business developments, contemplates costs in the range of $10 million to $15 million between January 1, 2015 and December 31, 2016. In addition, we have built a Canadian ATG network, which operates on the same frequency as the U.S. ATG network. As of December 31, 2014, our Canadian network had 12 cell sites (approximately 50 sectors) and we are planning to construct an additional 4 cell sites by the end of 2016, which we estimate to cost approximately $3 million.

These sites are connected to our data centers, which are in turn connected to the internet. This connectivity is provided by a state-of-the-art Multi-protocol Label Switching (MPLS) network and a flexible and scalable IP-based infrastructure. The cell sites were originally connected to the MPLS network using last mile copper (T1) facilities and microwave link where last mile copper-based facilities are not available. In 2012, we began converting the backhaul network from the cell sites to our data center to a fiber optic-based network (from copper T1 network) and by the end of 2014, the majority of the cell sites were converted to fiber.

On May 9, 2013, the FCC issued a notice of proposed rulemaking to designate spectrum in the 14.0-14.5 GHz band (the 14 GHz spectrum) for the purpose of providing broadband connectivity, or ATG service, to aircraft flying within the contiguous United States. As a result of this rulemaking process, the FCC has prepared a draft order to auction off spectrum for ATG use, which spectrum would have greater capacity than our current spectrum and could be licensed to multiple parties. We anticipate that the FCC will act on the proposed order designating the 14 GHz spectrum for ATG use in the near term, and we may elect to participate in any auction to license such spectrum.

We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology in order to increase bandwidth speeds and provide additional capacity in the contiguous United States. In February 2015, we announced that Delta Air Lines intends to partner with us in launching such technology. Our development and implementation of a next generation air-to-ground technology will require that we obtain rights to sufficient 14GHz or other spectrum.

Our Satellite Networks

We have near-global Ku-band satellite service using service provided by our satellite capacity providers, with our next generation global satellite solution, 2Ku, expected to be available in the second half of 2015. Also, we are a distribution partner for Inmarsat s Global Xpress service, which is our Ka-band satellite solution, which we expect to offer after the launch of two additional satellites and when service is made available.

Our Iridium service is supported by a network of 66 Iridium satellites in low-earth orbit. In addition, we launched SBB service in 2014, which is supported by three geostationary (Inmarsat I-4) satellites in orbit.

Our Airborne Network

Onboard the aircraft, users are connected to the Gogo service through the aircraft-based Wi-Fi network that is created by our installed airborne system. Our airborne network includes core module components (including an onboard server, or ACPU, wireless access points, or WAP, and optionally a content loading device, or CLD, and handsets for cockpit/crew use) and technology-specific communication components (including a modem, amplifier, antenna and radome). We leverage standard technology and components in our system where available and design our system by selecting, assembling and packaging components that can withstand temperature, pressure and vibration on aircraft in-flight. We are continuing to innovate and develop advanced technologies for storage, processing and connectivity for the in-cabin airborne network.

Our customized airborne network allows us to actively manage data traffic in order to mitigate capacity constraints through sophisticated bandwidth management, including by placing cached content directly on the airborne network, which increases the speed and quality of our Gogo service.

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Our Ground Network (Data Centers and NOC)

Our primary data center, which services our ATG and satellite technologies, with redundant telecommunications connections to the internet, also contains numerous servers associated with hosting our in-flight and ground portals and the network nodes that enable the rich set of features offered through the Gogo platform. Most of the data center nodes are common to various technologies, including ATG/ATG-4 and satellite links to an aircraft, while some nodes are technology specific.

The NOC, located in our Itasca, Illinois facility, serves as the central location that monitors daily network operation, conducts network diagnostics and coordinates responses to any performance issues on the ground or in the air. The NOC provides 24 hours a day, 365 days a year management and surveillance of network performance and activities through the use of network management and reporting systems that interface with all network elements and have the ability to track the progress and status of all Gogo-equipped aircraft in-flight, regardless of the technology used to provide in-flight connectivity.

Competition

Commercial Aviation

Our key competitors include Panasonic Avionics Corp., Global Eagle Acquisition Corp/Row 44, Inc., OnAir, Thales/LiveTV, ViaSat, Inmarsat, Zodiac Inflight Innovations and Rockwell Collins/ARINC, all of which provide different technologies and strategies to provide in-flight connectivity and/or entertainment. Regardless of the delivery mechanism(s) used by us or our competitors, the in-flight internet connectivity industry as a whole faces, and is expected to face, capacity constraints, which are expected to increase due to increased demand for in-flight internet. We are the only telecommunications company focused exclusively on the global aviation industry and the connectivity requirements unique to an aircraft by building a global telecommunications infrastructure. We believe the key differentiating factors between us and competitors operating in our industry include: technology solutions, geographical coverage, operational excellence, and service models offered to airlines. Specifically, the strategic priorities of each of our competitors varies, including technologies available for various aircraft types, the ability to offer in-flight internet solutions as well as entertainment offerings, such as live television and traditional hard-wired in-flight entertainment systems, the ability to cost-effectively provide offerings on a global basis, the ability to manage capacity constraints, and the ability to offer, incorporate and manage new in-flight connectivity technologies and solutions as they become available.

Business Aviation

Gogo is the only equipment and service provider of all three networks: ATG, SBB and Iridium. We compete against both equipment and telecommunications service providers to the business aviation market, including International Communications Group and True North Avionics for Iridium hardware business, Rockwell Collins and Honeywell Aerospace for Inmarsat SBB hardware business, and Satcom Direct for both Iridium and Inmarsat SwiftBroadband service, as well as for cabin router equipment. SmartSky Networks recently announced that it intends to enter the business aviation market with a new ATG network.

Licenses and Regulation

Federal Aviation Administration

The FAA prescribes standards and certification requirements for the manufacturing of aircraft and aircraft components, and certifies and rates repair stations to perform aircraft maintenance, preventive maintenance, and alterations, including the installation and maintenance of aircraft components. Each type of aircraft operated in the United States under an FAA-issued standard airworthiness certificate must possess an FAA Type Certificate, which constitutes approval of the design of the aircraft type based on applicable airworthiness standards. When a party other than the holder of the Type Certificate develops a major modification to an aircraft already type-certificated, that party must obtain an FAA-issued STC approving the design of the modified aircraft type. We

regularly obtain an STC for each aircraft type operated by each airline partner on whose aircraft our equipment will be installed and separate STCs typically are required for different configurations of the same aircraft type, such as when they are configured differently for different airlines.

After obtaining an STC, a manufacturer desiring to manufacture components to be used in the modification covered by the STC must apply to the FAA for a Parts Manufacturing Authority, or PMA, which permits the holder to manufacture and sell components manufactured in conformity with the PMA and its approved design and data package. In general, each initial PMA is an approval of a manufacturing or modification facility s production quality control system. PMA supplements are obtained to authorize the manufacture of a particular part in accordance with the requirements of the pertinent PMA, including its production quality control system. We routinely apply for and receive such PMAs and supplements.

Certain of our FCC licenses are conditioned upon our ability to obtain from the FAA a No Hazard Determination for our cell sites which indicates that a proposed structure will not, if built as specified, create a hazard to air navigation. When proposing to build or alter certain of our cell sites we may first be required to obtain such a determination.

Our business depends on our continuing access to, or use of, these FAA certifications, authorizations and other approvals, and our employment of, or access to, FAA-certified individual engineering and other professionals.

In accordance with these certifications, authorizations and other approvals, the FAA requires that we maintain, review and document our quality assurance processes. The FAA may also visit our facilities at any time as part of our agreement for certification as a manufacturing facility and repair station to ensure that our facilities, procedures, and quality control systems meet FAA approvals we hold. In addition, we are responsible for informing the FAA of significant changes to our organization and operations, product failures or defects, and any changes to our operational facilities or FAA-approved quality control systems. Other FAA requirements include training procedures and drug and alcohol screening for safety-sensitive employees working at our facilities.

Foreign Aviation Regulation

According to international aviation convention, the airworthiness of FAA-certified Gogo equipment installed on U.S.-registered aircraft is recognized by civil aviation authorities (CAAs) worldwide. As a result, Gogo does not expect to require further airworthiness certification formalities in countries outside of the United States for U.S.-registered aircraft that already have an STC issued by the FAA covering Gogo equipment. For aircraft registered with a CAA other than the United States, the installation of Gogo equipment requires airworthiness certification from an airworthiness certification body. Typically, the CAA of the country in which the aircraft is registered is responsible for ensuring the airworthiness of any aircraft modifications under its authority.

The FAA holds bilateral agreements with a number of certification authorities around the globe. Bilateral agreements facilitate the reciprocal airworthiness certification of civil aeronautical products that are imported/exported between two signatory countries. A Bilateral Airworthiness Agreement (BAA) or Bilateral Aviation Safety Agreement (BASA) with Implementation Procedures for Airworthiness (IPA) provides for airworthiness technical cooperation between the FAA and its counterpart civil aviation authorities. Under a BAA or BASA, the CAA of the aircraft s country of registration generally validates STCs issued by the FAA and then issues a Validation Supplemental Type Certificate (VSTC). For countries with which the FAA does not have a BAA or BASA, Gogo must apply for certification approval with the CAA of the country in which the aircraft is registered. In order to obtain the necessary certification approval, Gogo will be required to comply with the airworthiness regulations of the country in which the aircraft is registered. Failure to address all foreign airworthiness and aviation regulatory requirements at the commencement of each airline partner s service in any

country in which they register aircraft when there are no applicable bilateral agreements may lead to significant additional costs related to certification and could impact the timing of our ability to provide our service on our airline partners fleet.

To date, we have received the foreign aviation regulatory approval required to install and operate Gogo Vision systems onboard aircraft of two non-U.S. airlines with aircraft fleets registered in two different countries. We will pursue such additional approvals as and when necessary.

Federal Communications Commission

Under the Communications Act of 1934, as amended (the Communications Act), the FCC licenses the spectrum that we use and regulates the construction, operation, acquisition and sale of our wireless operations. The Communications Act and FCC rules also require the FCC s prior approval of the assignment or transfer of control of an FCC license, or the acquisition, directly or indirectly, of more than 25% of the equity or voting control of Gogo by non-U.S. individuals or entities.

Our various services are regulated differently by the FCC. Our BA business provides some of its voice and data services by reselling the telecommunications services of two satellite operators. Because we provide these services on a common carrier basis, we are subject to the provisions of Title II of the Communications Act which require, among other things, that the charges and practices of common carriers be just, reasonable and non-discriminatory. In addition, our BA division has launched an interconnected VoIP service. The FCC applies many, but not all, of the same regulatory requirements to interconnected VoIP service as it does to common carrier telecommunications services.

We provide broadband internet access to commercial airlines and passengers as Gogo Connectivity and to our Business Aviation customers as Gogo Biz. We offer this service in the continental United States through our own facilities, using a nationwide Commercial Air-Ground Radiotelephone license that operates in the 800 MHz band (the ATG license). We obtained and paid for this spectrum through an auction conducted by the FCC. See ATG License Terms and Conditions.

Before February 26, 2015 our mobile wireless broadband internet access services, including Gogo Connectivity and Gogo Biz, were classified as information services, and not as telecommunications services. Therefore, these services were not subject to FCC common carrier regulation, although other regulations did apply. For example, the FCC s December 2010 net neutrality regulations required broadband internet access providers to provide detailed customer disclosures regarding network management practices, performance levels and commercial terms of the service. Other provisions of that order such as one which placed limits on our ability to block users access to lawful websites, including websites that may compete with our other services were struck down by a federal appeals court.

On February 26, 2015, the FCC adopted an order in which, according to an official FCC News Release, it reclassified mobile (and fixed) broadband internet access services as Title II telecommunications services. The text of the FCC order has not yet been released, but the News Release indicates that certain provisions of Title II will now apply to broadband internet access services, including provisions that: prohibit unjust or unreasonable practices or discrimination; allow investigation and enforcement; impose consumer privacy and accessibility protections; and facilitate certain universal service requirements. The News Release also indicates that the FCC has decided to forbear from applying a number of Title II requirements, including provisions related to rate regulation and universal service contributions. Until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices.

According to the News Release, the FCC also adopted broad new net neutrality rules. For example, broadband providers may not block access to legal content, applications, services, or non-harmful devices. Broadband providers also may not impair or degrade lawful internet traffic on the basis of content, applications,

services, or non-harmful devices. In addition, broadband providers may not favor some lawful internet traffic over other lawful traffic in exchange for consideration of any kind, and they may not prioritize the content and services of their affiliates. For purposes of these rules, other than for paid prioritization, a provider may engage in reasonable network management. As noted above, until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices.

Our internet access service has also been covered by the FCC s data roaming rules, which require commercial mobile data service (CMDS) providers like Gogo to negotiate roaming arrangements with any requesting facilities-based, technologically compatible providers of CMDS. The rules do not give other providers the right to install equipment on Gogo-equipped aircraft, and do not require the Gogo service to be provided on a discounted basis, although the arrangement must be commercially reasonable. The rules allow us to take reasonable measures to safeguard the quality of our service against network congestion that may result from roaming traffic. Until the full text of the FCC order discussed above is released, we cannot assess what impact, if any, it may have on the FCC s data roaming rules.

In addition, most of our services are subject to various rules that seek to ensure that the services are accessible by persons with disabilities, including requirements related to the pass-through of closed captioning for certain IP-delivered video content offered through our Gogo Vision service. Until the full text of the FCC order discussed above is released, we cannot assess what impact, if any, it may have on the FCC s accessibility requirements.

In addition to the ATG license, we hold other FCC licenses, including microwave licenses that are used for backhaul in our terrestrial network, two experimental licenses used for testing equipment and experimenting in new spectrum bands, a non-exclusive license at 3650 MHz, which currently does not authorize operational use and would require registration with the FCC of transmitter site locations prior to commencing use, and the 1 MHz FCC License acquired in our acquisition of Airfone. We also hold a license for blanket authority to operate Ku-band satellite transceivers on up to 2,000 aircraft, which allows us to provide domestic and international broadband service (although some countries require additional authorizations of their own).

ATG License Terms and Conditions

The FCC issued our ATG license on October 31, 2006 for an initial 10-year term. We have satisfied our obligation under the license to provide substantial service to aircraft. Upon the expiration of the initial term of our license in October 2016, we may renew our license for additional ten-year terms at no additional cost. At the end of each term, to renew the license, we are required to file an application for renewal. If that application is challenged, the FCC will apply a preference, commonly referred to as a renewal expectancy, if we can demonstrate that we have both provided substantial service during the past license term and substantially complied with applicable FCC rules and policies and the Communications Act. In 2010, the FCC proposed to amend its license renewal rules to require more detailed renewal showings. That proposal remains pending.

Our 1 MHz FCC License obtained in 2013 from LiveTV was also originally issued on October 31, 2006 for a renewable ten year term, although there is no substantial service obligation that attaches to this license.

Our ATG license and our 1 MHz FCC License both contain certain conditions that require us to comply with all applicable FCC and FAA rules as well as all bilateral agreements between the U.S. and Canada and the U.S. and Mexico regarding the frequencies that are allocated for ATG services. These agreements apply to our use of the spectrum in areas adjacent to the United States northern and southern borders and in and out of Canadian and Mexican airspace.

A bilateral ATG spectrum coordination agreement between the U.S. and Canada has been negotiated and approved and a similar agreement between the U.S. and Mexico is in the process of being negotiated. In 2012, Industry Canada issued to our Canadian subsidiary a subordinate license that allows us to use Canadian ATG

spectrum of which SkySurf Communications Inc. is the primary licensee. In 2012, we entered into the License Agreement with SkySurf, which has an initial term of ten years commencing on August 14, 2012 and, provided that the primary spectrum license agreement issued by Industry Canada to SkySurf remains in effect at such dates, is renewable at our option for an additional 10-year term following the initial expiration and thereafter for a further five-year term. The renewal of the primary spectrum license will depend upon the satisfaction by Gogo and SkySurf of certain conditions set forth in the license, including, without limitation, a network build-out requirement. The term of the License Agreement, including the initial 10-year term and any renewals, is contingent on the effectiveness and renewal of the primary spectrum license, issued by Industry Canada to SkySurf on June 30, 2009, which expires on June 29, 2019.

Prior to spectrum coordination with the ATG licensee in Mexico, the coordination agreement could affect our ability to provide our broadband internet service in the border areas using our current cell sites at current operating power levels, and could affect our ability to establish or maintain ATG service in the border areas as aircraft fly into and out of Mexican airspace. Once a provider of air-to-ground services is licensed in Mexico, we hope to negotiate an arrangement that will provide seamless connectivity on flights between Mexico and the U.S.

Equipment Certification

We may not lease, sell, market or distribute any radio transmission equipment used in the provision of BA or CA services unless such equipment is certified by the FCC as compliant with the FCC s technical rules. All certifications required for equipment currently used in the provision of our services have been obtained.

Privacy and Data Security-Related Regulations

Our satellite-based BA offerings are subject to the FCC s Customer Proprietary Network Information (CPNI) rules, which require carriers to comply with a range of marketing and privacy safeguards. These obligations focus on carriers access, use, storage and disclosure of customer proprietary network information. We believe we are in compliance with these rules and obligations, and we certify annually, as required, that we have established operating procedures adequate to ensure our compliance.

We are also subject to other federal and state consumer privacy and data security requirements. For example, Section 5 of the Federal Trade Commission (FTC) Act prohibits unfair or deceptive acts or practices in or affecting commerce. Although the FTC s authority to regulate the non-common carrier services offered by communications common carriers has not been clearly delineated, FTC officials have publicly stated that they view the FTC as having jurisdiction over internet service providers non-common carrier services. Some of our services, such as Gogo Connectivity, have been classified as non-common carrier services. With respect to online activity, the FTC has brought enforcement actions under the FTC Act against companies that, *inter alia*: (1) collect, use, share, or retain personal information in a way that is inconsistent with the representations, commitments, and promises that they make in their privacy policies and other public statements; (2) have privacy policies that do not adequately inform consumers about the company s actual practices; and (3) fail to reasonably protect the security, privacy, and confidentiality of nonpublic consumer information.

As noted above, on February 26, 2015, the FCC adopted an order in which, according to an official FCC News Release, it reclassified mobile (and fixed) broadband internet access services as Title II telecommunications services. The text of the FCC order has not yet been released, but the News Release indicates that certain provisions of Title II will now apply to broadband internet access services, including provisions that impose consumer privacy protections such as CPNI. Until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices, including our privacy and data security practices.

We collect personally identifiable information, including name, address, e-mail address and credit card information, directly from our users when they register to use our service. We also may obtain information about

our users from third parties. We use the information that we collect to consummate their purchase transaction, to customize and personalize advertising and content for our users and to enhance the entertainment options when using our service. Our collection and use of such information is intended to comply with our privacy policy, which is posted on our website, applicable law, our contractual obligations with third parties and industry standards, such as the Payment Card Industry Data Security Standard. We are also subject to state mini-FTC Acts, which also prohibit unfair or deceptive acts or practices, along with data security breach notification laws requiring entities holding certain personal data to provide notices in the event of a breach of the security of that data. Congress has also been considering similar federal legislation relating to data breaches. A few states have also imposed specific data security obligations. These state mini-FTC Acts, data security breach notification laws, and data security obligations may not extend to all of our services and their applicability may be limited by various factors, such as whether an affected party is a resident of a particular state.

While we have implemented reasonable administrative, physical and electronic security measures to protect against the loss, misuse and alteration of personally identifiable information, cyber-attacks on companies have increased in frequency and potential impact in recent years and may be successful despite reasonable precautions and result in substantial potential liabilities.

As we expand our operations to include a physical international presence, or otherwise expand our collection of personally identifiable information of residents in other countries, we may be subject to the data protection regulations of the relevant countries. In addition, the new draft General Data Protection Regulation proposed by the European Commission, if adopted, will increase the likelihood of the applicability of European data protection law to entities outside the European Union that, process personally identifiable information of European data subjects. Certain countries have laws which restrict the transfer of personally identifiable information outside of such countries. Both Switzerland and the member states of the European Union impose restrictions on transferring data to countries that do not require the same standard of protection, including the United States. Gogo has self-certified as part of the United States-European Union and United States-Switzerland Safe Harbor Frameworks and despite recent criticism of the Safe Harbor Frameworks from some government officials in the European Union, we should be deemed compliant with the European Union and Swiss standards for data protection with respect to cross-border data transfers as long as it continues to self-certify each year.

Truth in Billing and Consumer Protection

The FCC s Truth in Billing rules generally require full and fair disclosure of all charges on customer bills for telecommunications services. These rules apply to our satellite-based BA services. This disclosure must include brief, clear, and non-misleading plain language descriptions of the services provided. States also have the right to regulate wireless carriers billing; however, we are not currently aware of any states that impose billing requirements on ATG services.

As noted above, on February 26, 2015, the FCC adopted an order in which, according to an official FCC News Release, it reclassified mobile (and fixed) broadband internet access services as Title II telecommunications services. The text of the FCC order has not yet been released, but the News Release indicates that certain provisions of Title II will now apply to broadband internet access services. Until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices.

CALEA

The FCC has determined that facilities-based broadband internet access providers, which include Gogo, are subject to the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered service providers to

build certain law enforcement surveillance assistance capabilities into their communications networks and to maintain CALEA-related system security policies and procedures. Our network has been confirmed as compliant with CALEA by a third-party tester as of May 18, 2011.

Foreign Government Approvals

In connection with our satellite service, we have implemented a process for obtaining any required authority needed to provide our service over the airspace of foreign countries, or verifying that no additional authorization is needed. Each country over which a Gogo-equipped aircraft flies has the right to limit, regulate (*e.g.*, through a licensing regime), or prohibit the offering of our service. We may not be able to obtain the necessary authority for every country over which a partner airline flies. For some countries, we have not been and do not expect to be able to obtain a definitive answer regarding their potential regulation of our service, and we may incur some regulatory risk by operating over the airspace of these countries. Failure to comply with foreign regulatory requirements could result in penalties being imposed on Gogo and/or on its airline partners, allow our airline partners affected by such requirements to terminate their contract with us prior to expiration or, under a contract with one of our airline partners, require us to pay liquidated damages. See Risk Factors Risks Related to Our Technology and Intellectual Property and Regulation Regulation by United States and foreign government agencies, including the FCC, which issued our exclusive ATG spectrum license, and the FAA, which regulates the civil aviation manufacturing and repair industries in the United States, may increase our costs of providing service or require us to change our services. Moreover, even countries that have previously provided clearance for our service have the right to change their regulations at any time.

Intellectual Property

We rely on a combination of intellectual property rights, including trade secrets, patents, copyrights, trademarks and domain names, as well as contractual restrictions to protect intellectual property and proprietary technology owned or used by us.

We have patented certain of our technologies in the United States and certain countries outside of the United States. As of December 31, 2014, our United States patents will expire at dates ranging from April 2015 to October 2034, while our patents outside of the United States expire at dates ranging from March 2015 to July 2034. We do not believe our business is dependent to any material extent on any single patent or group of patents that we own. We also have a number of patent applications pending both in and outside of the United States and we will continue to seek patent protection in the United States and certain other countries to the extent we believe such protection is appropriate and cost-effective.

We consider our brands to be important to the success of our business and our competitive position. We rely on both trademark registrations and common law protection for trademarks. Our registered trademarks in the United States and certain other countries include, among others, Gogo, Gogo Biz, Gogo Vision and In Air. Online, although we have not yet obtained registrations for our most important marks in all markets in which we currently do business or intend to do business in the future. Generally, the protection afforded for trademarks is perpetual, if they are renewed on a timely basis, if registered, and continue to be used properly as trademarks.

We license or purchase from third parties technology, software and hardware that are critical to providing our products and services. Much of this technology, software and hardware is customized for our use and would be difficult or time-consuming to obtain from alternative vendors. We also license our proprietary technology and software to third parties to enable them to integrate such technology and software into the products they provide to us. Many of our agreements with such third parties are renewable for indefinite periods of time unless either party chooses to terminate, although some of our agreements expire after fixed periods and would require renegotiation prior to expiration in order to extend the term. Among the most material of our technology-related agreements are those for aircards, base stations and antennas. Our agreements for aircards, base stations and antennas do not renew automatically and thus will require periodic renegotiation. Such agreements as well as certain licenses to commercially available software are material to our business.

We have developed certain ideas, processes, and methods that contribute to our success and competitive position that we consider to be trade secrets. We protect our trade secrets by keeping them confidential through

the use of internal and external controls, including contractual protections with employees, contractors, customers, vendors, and airline partners. Trade secrets can be protected for an indefinite period so long as their secrecy is maintained.

Employees

As of December 31, 2014, we had 891 employees, including 159 in engineering, 288 in network operations, 161 in sales and marketing, 200 in general and administrative and 83 in information technology. Of such employees, 232 are employed in our BA operations. None of our employees are represented by a labor union.

Corporate Information

Gogo Inc. is a holding company that does business through its subsidiaries. Air-cell, Inc. was incorporated in Texas on June 11, 1991, and on December 10, 1996 merged with Aircell, Inc., a Delaware corporation. AC HoldCo LLC and its subsidiary AC BidCo LLC, were formed as Delaware limited liability companies on March 20, 2006. On January 31, 2007, Aircell, Inc. converted to a limited liability company (Aircell LLC) and was acquired by AC HoldCo LLC. On June 3, 2008, Aircell Business Aviation Services LLC was formed as a separate operating subsidiary. Aircell Holdings Inc. was formed on December 31, 2009 via a two-step merger resulting in a conversion of AC HoldCo LLC into Aircell Holdings Inc., a Delaware corporation. On June 15, 2011, Aircell Holdings Inc. changed its name to Gogo Inc. and Aircell LLC changed its name to Gogo LLC. On June 8, 2012, we formed Gogo Intermediate Holdings LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of Gogo Inc. On June 8, 2012, Gogo LLC and Aircell Business Aviation Services LLC, which had previously been direct, wholly-owned subsidiaries of Gogo Inc., became direct, wholly-owned subsidiaries of Gogo Intermediate Holdings LLC. On June 25, 2013, we formed Gogo Air International Sàrl, a Geneva limited liability company and a direct wholly-owned Swiss operating subsidiary of Gogo International Holdings LLC. On September 1, 2014, Aircell Business Aviation Services LLC changed its name to Gogo Business Aviation LLC.

Our principal executive offices are located at 1250 North Arlington Heights Rd., Suite 500, Itasca, IL 60143. Our telephone number is (630) 647-1400. Our website addresses are www.gogoair.com and www.business.gogoair.com.

Available Information

Our websites are located at www.gogoair.com and www.business.gogoair.com, and our investor relations website is located at http://ir.gogoair.com. Our Proxy Statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the investor relations web site as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also provide a link to the section of the SEC s website at www.sec.gov that has all of our public filings, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements, and other ownership related filings. Further, a copy of this Annual Report on Form 10-K is located at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts and RSS feeds. Further corporate governance information,

including our certificate of incorporation, bylaws, corporate governance

guidelines, board committee charters, and code of business conduct, is also available on our investor relations website under the heading Corporate Governance. The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report, including our consolidated financial statements and related notes. The risks described below are not the only ones facing us. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition and results of operations. This Annual Report also contains forward-looking statements and estimates that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of specific factors, including the risks and uncertainties described below.

Risks Related to Our CA Business

We are dependent on agreements with our airline partners to be able to access our customers. Payments by these customers for our services have provided, and we expect will continue to provide, a significant portion of our revenue. Our failure to realize the anticipated benefits from these agreements on a timely basis or to renew any existing agreements upon expiration or termination could have a material adverse effect on our financial condition and results of operations.

Under existing contracts with ten airlines, we provide our equipment for installation on, and provide our Gogo service to passengers on, all or a portion of the aircraft operated by these airlines. For the years ended December 31, 2014, 2013, and 2012, the Gogo service we provide to passengers on aircraft operated by these airlines generated approximately 55%, 56% and 52% of our consolidated revenue, respectively. As of December 31, 2014, in addition to the 2,183 commercial aircraft on which we are providing service, we had a backlog of approximately 1,100 aircraft we have committed to install under such contracts. Our growth is dependent on our ability to have our equipment installed on additional aircraft and increased use of the Gogo service on installed aircraft. Any delays in installations under these contracts may negatively affect our ability to grow our user base and revenue. In addition, we have no assurance that any of our current airline partners will renew their existing contracts with us upon expiration, or that they will not terminate their contracts prior to expiration upon the occurrence of certain contractually stipulated events. Contractual termination events include our bankruptcy and our material breach of contract, which in certain contracts is defined to include material breach of our service level agreements, and/or failure to achieve certain certification, equipment delivery, installation or other milestones within agreed-upon time frames. Additionally, our contracts with airline partners from which we derive a majority of our CA-NA segment revenue permit each of these airline partners to terminate its contract with us if another company provides an alternate connectivity service that is a material improvement over Gogo Connectivity, such that failing to adopt such service would likely cause competitive harm to the airline, or if the percentage of passengers using Gogo Connectivity on such airline s flights falls below certain negotiated thresholds. One contract with an airline partner from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue permits such airline partner to terminate its contract with us if the airline s revenue share falls below certain negotiated thresholds based on the airline s costs incurred to provide the service and Gogo elects to not make the airline whole for such revenue share shortfall. Our contract covering the international fleet of Delta Air Lines requires us to provide a credit against equipment purchases, and under certain circumstances, refund amounts previously paid for equipment, to the airline if a competitor installs its connectivity system on an

international fleet of another airline faster than the pace at which we install our system on Delta s international fleet. Contracts with our airline partners from which we derive a significant portion, but less than a majority, of our CA-NA segment revenue allow those airlines to terminate a

portion or all of their respective agreements after a specified time period upon the payment of a termination fee. To the extent that our airline partners terminate or fail to renew their contracts with us for any reason, our business prospects, financial condition and results of operations would be materially adversely affected.

Certain of our contracts with our airline partners include provisions that, under certain circumstances, entitle our airline partners to the benefit of certain more favorable provisions in other airline partners connectivity agreements, including terms related to termination, maintenance, service and pricing. These provisions have retroactive effect and may limit the benefits we realize from contracts containing such provisions. In addition, our inability to identify and offer improved terms to an airline partner in accordance with such a provision could negatively affect our relationship with that airline partner or give rise to a claim that we are in breach of such connectivity agreement.

A failure to maintain airline satisfaction with our equipment or the Gogo service could have a material adverse effect on our revenue and results of operations.

Our relationships with our airline partners are critical to the growth and ongoing success of our business. For the years ended December 31, 2014, 2013, and 2012 use of the Gogo service by passengers flying on Delta Air Lines aircraft accounted for approximately 42%, 42%, and 46%, respectively, of the revenue generated by our CA-NA segment. For the years ended December 31, 2014, 2013, and 2012 use of the Gogo service by passengers flying on American Airlines aircraft accounted for approximately 23%, 24%, and 23%, respectively, of the revenue generated by our CA-NA segment. American Airlines and US Airways recently merged; while we have separate contracts with the two airlines, the fact that they are now under common control will increase our dependence on the combined entity. If our airline partners are not satisfied with our equipment or the Gogo service for any reason, including passenger dissatisfaction with the service as a result of capacity constraints, they may reduce efforts to co-market the Gogo service to their passengers, which could result in lower passenger usage and reduced revenue, which could in turn give certain airlines the right to terminate their contracts with us. In addition, airline dissatisfaction with us for any reason, including delays in obtaining certification for or installing our equipment, could negatively affect our ability to expand our service to additional airline partners or aircraft or lead to claims for damages, which may be material, or termination rights under existing contracts with our airline partners from which we derive a majority of our CA-NA segment revenue.

We are experiencing network capacity constraints in the United States and expect capacity demands to increase, and we may in the future experience capacity constraints internationally. If we are unable to successfully implement planned or future technology enhancements to increase our network capacity, or our airline partners do not agree to such enhancements, our ability to maintain sufficient network capacity and our business could be materially and adversely affected.

All providers of wireless connectivity services, including all providers of in-flight connectivity services, face certain limits on their ability to provide connectivity service, including escalating capacity constraints due to expanding consumption of wireless services and the increasing prevalence of higher bandwidth uses such as file downloads and streaming media content. The success of our CA business depends on our ability to provide adequate bandwidth to meet customer demands while in-flight. Our ATG network is inherently limited by the spectrum licensed and we are currently experiencing capacity constraints in the United States, particularly on certain flights where demand for our service is high and certain routes on which a number of aircraft are within range of the same cell site at one time, and we expect demand to continue to increase in the United States as penetration rates increase and our service becomes available on more aircraft. As part of our effort to alleviate such constraints, we are continuing to implement our technology roadmap. With respect to our ATG service and network, the roadmap is intended to enhance our existing network to meet increasing capacity demands through a number of improvements, including the addition of new cell sites, the implementation of ATG-4, our next generation air-to-ground technology and the expected deployment of

Gogo 2Ku, our new satellite solution that is currently under development.

We began the roll-out of our ATG-4 service during the second half of 2012 and as of December 31, 2014 such service is available on 679 aircraft operated by six airline partners, with more than 1,000 aircraft operated by six airline partners expected to be installed with ATG-4 by the end of 2015. However, the successful and timely execution of this roll-out depends on certain variables that are not within our control, including the decision by our other airline partners whether to upgrade to ATG-4 and the schedule for any such upgrades, which will be affected by availability of aircraft and the speed with which we are able to obtain Supplemental Type Certificates, or STCs, from the FAA for our ATG-4 equipment. We are obligated, under certain of our contracts with airline partners, to bear costs of upgrading certain aircraft from ATG to ATG-4 and our associated costs under such contracts are material. If we are unable to continue to upgrade aircraft to ATG-4 on a timely or cost-effective basis, or at all, our already significant capacity constraints in the United States will be exacerbated.

Our ATG-4 upgrades alone are not expected to completely alleviate current or expected capacity constraints. Accordingly, our technology roadmap is also intended to augment existing ATG capacity by adding 2Ku-band satellite service on certain aircraft and routes. The successful and timely development and implementation of 2Ku is subject to various risks and uncertainties as described in this Risk Factors section under the heading We may be unsuccessful or delayed in developing or deploying our 2Ku technology. In addition, there is no guarantee that the use of satellite technology, including through the use of 2Ku, will effectively alleviate current or future capacity constraints. Implementation of satellite and hybrid solutions will depend on the availability of capacity from satellite service providers, regulatory approvals for aeronautical services using those satellites, the installation of satellite equipment on aircraft, and demand from our airline partners for new installations of satellite equipment. We have experienced delays in obtaining FAA approvals for certain components of our Ku-band equipment. Further, we may experience unanticipated delays, complications, and expenses in implementing, integrating, and operating our systems using these new technologies. Any interruptions in operations during periods of implementation could adversely affect our ability to maintain satisfactory service levels, properly allocate resources and process billing information in a timely manner, which could result in customer dissatisfaction, reputational harm, termination of key contracts and delayed or reduced cash flow.

We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology intended to further augment capacity in the contiguous United States. The inclusion of any such technology in our technology roadmap will require, among other things, that we obtain additional spectrum. There can be no assurances that we will be successful in obtaining additional spectrum on terms acceptable to us or at all. Should we pursue the development and implementation of such technology, the success efforts will be subject to numerous risks and uncertainties. In addition, there is no guarantee that the deployment of such technology, alone or together with 2Ku, will effectively alleviate future capacity constraints. We utilize a number of additional means to ensure our network meets passenger expectations, including the creation of effective price plans intended to calibrate usage while maximizing Gogo service revenue, and sophisticated bandwidth management tools, including through the use of bandwidth management software, which, if terminated for any reason or expired and were not renewed could adversely impact our ability to meet increasing capacity demands.

We may in the future face capacity constraints internationally. There is no guarantee that our technology roadmap or the other means we utilize to manage our networks will be sufficient to alleviate capacity constraints in the United States or internationally. If we fail to meet our capacity demands, it could harm our reputation with customers, our airline partners could terminate their contracts with us for a failure to meet our service level agreements or we could be unable to enter into new contracts with other airline partners, and our business prospects and results of operations may be materially adversely affected.

As noted above, on February 26, 2015, the FCC adopted an order in which, according to an official FCC News Release, it reclassified mobile (and fixed) broadband internet access services as Title II telecommunications services.

According to the News Release, the FCC also adopted broad new net neutrality rules. For example, broadband providers may not block access to legal content, applications, services, or non-harmful devices. Broadband providers also may not impair or degrade lawful internet traffic on the basis of

content, applications, services, or non-harmful devices. In addition, broadband providers may not favor some lawful internet traffic over other lawful traffic in exchange for consideration of any kind, and they may not prioritize the content and services of their affiliates. For purposes of these rules, other than for paid prioritization, a provider may engage in reasonable network management. As noted above, until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices.

Our business is highly dependent on the airline industry, which is itself affected by factors beyond the airlines control. The airline industry is highly competitive and sensitive to changing economic conditions.

Our business is directly affected by the number of passengers flying on commercial aircraft, the financial condition of the airlines and other economic factors. If consumer demand for air travel declines, including due to increased use of technology such as videoconferencing for business travelers, or the number of aircraft and flights shrinks due to, among other reasons, reductions in capacity by airlines, the number of passengers available to use the Gogo service will be reduced, which would have a material adverse effect on our business and results of operations. Unfavorable general economic conditions and other events that are beyond the airlines control, including higher unemployment rates, higher interest rates, reduced stock prices, reduced consumer and business spending, terrorist attacks or threats and pandemics could have a material adverse effect on the airline industry. A general reduction or shift in discretionary spending can result in decreased demand for leisure and business travel and lead to a reduction in airline flights offered and the number of passengers flying. Consolidation within the airline industry, including the recent merger of American Airlines and US Airways, could also adversely affect our relationships with our existing airline partners or lead to Gogo-equipped aircraft being taken out of service. Further, unfavorable economic conditions could also limit airlines ability to counteract increased fuel, labor or other costs though raised prices. Our airline partners operate in a highly competitive business market and, as a result, continue to face pressure on offerings and pricing. These unfavorable conditions and the competitiveness of the air travel industry could cause one or more of our airline partners to reduce expenditures on passenger services including deployment of the Gogo service or file for bankruptcy. If one or more of our airline partners were to file for bankruptcy, bankruptcy laws could give them rights to terminate their contracts with us, they could reduce their total fleet size and capacity and/or their total number of flights, and/or they could attempt to renegotiate the terms of their contracts with us including their revenue share percentage. Any of these events would have a material adverse effect on our business prospects, financial condition and results of operations.

We may not be able to grow our business with current airline partners or successfully negotiate agreements with airlines to which we do not currently provide the Gogo service.

We are currently in negotiations or discussions with certain of our airline partners to provide our connectivity equipment and the Gogo service on additional aircraft in their fleets. We have no assurance that these efforts will be successful. We are also in discussions with other airlines to provide our connectivity equipment and the Gogo service to some or all of the aircraft flying their North American or international routes. Negotiations with prospective airline partners require substantial time, effort and resources. The time required to reach a final agreement with an airline is unpredictable and may lead to variances in our operating results from quarter to quarter. We may ultimately fail in our negotiations and any such failure could harm our results of operations due to, among other things, a diversion of our focus and resources, actual costs and opportunity costs of pursuing these opportunities. In addition, the terms of any future agreements could be materially different and less favorable to us than the terms included in our existing agreements with our airline partners. To the extent that any negotiations with current or potential airline partners are unsuccessful, or any new agreements contain terms that are less favorable to us, our growth prospects could be materially and adversely affected.

Competition from a number of companies, as well as other market forces, could result in price reduction, reduced revenue and loss of market share and could harm our results of operations.

We face strong competition from satellite-based providers of broadband services that include in-flight internet and live television services. Competition from such providers has had in the past and could have in the future an

adverse effect on our ability to maintain or gain market share. While as of December 31, 2014, we provided the Gogo service to approximately 69% of all internet-enabled North American commercial aircraft, the increased availability, development and adoption of satellite-based services by commercial airlines in North America and the rest of the world has and will continue to put additional pressure on our ability to maintain our market leading position, and we expect our market share to decline as our competitors install more aircraft with their systems in the U.S. and internationally. Three major U.S. airlines have installed products made by our competitors to provide internet connectivity on all or a significant portion of their fleets. Some of our competitors are larger, more diversified corporations and have greater financial, marketing, production, and research and development resources. As a result, they may be better able to withstand the effects of periodic economic downturns or may offer a broader product line to customers, including services we do not currently provide, such as factory linefit capabilities, and may not provide in the future. In addition, while we are currently the only provider of ATG service, existing or potential competitors, including a supplier on whom we rely for critical components of our ATG and ATG-4 networks, may attempt to provide a similar service over a ground-based network using spectrum not currently designated for air-to-ground services. For example, on May 9, 2013 the FCC granted a petition for rulemaking filed by such supplier and issued a notice of proposed rulemaking soliciting comments on a proposal to make additional spectrum available for air-to-ground network connectivity. Competition within the in-flight broadband internet access and in-cabin digital entertainment markets may also subject us to downward pricing pressures. Pricing at too high a level could adversely affect the rate of consumer acceptance for the Gogo service, while increased competition or other market forces could force us to lower our prices or lose market share and could adversely affect growth prospects and profitability. In addition, to the extent that competing in-flight connectivity services offered by commercial airlines that are not our airline partners are available on more aircraft or offer improved quality or reliability as compared to the Gogo service, our business and results of operations could be adversely affected. Competition could increase our sales and marketing expenses and related customer acquisition costs. We may not have the financial resources, technical expertise or marketing and support capabilities to continue to compete successfully. A failure to effectively respond to established and new competitors could have a material adverse impact on our business and results of operations.

Our CA business has a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

Prior to August 2008, our operations were limited to our BA segment. We launched our Gogo Connectivity service in August 2008 and had fewer than 300 commercial aircraft online as of June 2009. In addition, both Gogo Vision and our in-flight platform were not launched until the second half of 2011. Further, our expansion of our CA business internationally began in the first quarter of 2012. The limited operating history of our CA business and particularly, our CA-ROW segment, may make it difficult to accurately evaluate the CA business and predict its future performance, and the growth of our CA-NA segment since inception is not necessarily indicative of potential future growth. Any assessments of our current business and predictions that we or you make about our future success or viability may not be as accurate as they could be if we had a longer operating history. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, and the size and nature of our market opportunity will change as we scale our business and increase deployment of the Gogo service. If we do not address any of the foregoing risks successfully, our business will be harmed.

We face limitations on our ability to grow our domestic operations which could harm our operating results and financial condition.

Our addressable market and our ability to expand domestically at our current rate of growth are inherently limited by various factors, including limitations on the number of U.S. commercial airlines with which we could partner, the number of planes in which our equipment can be installed, the passenger capacity within each plane and the ability of

our network infrastructure or bandwidth to accommodate increasing capacity demands. Expansion is also limited by our ability to develop new technologies and successfully implement our technology roadmap on a timely and cost-effective basis, as well as our ability to mitigate network capacity constraints

through, among other things, the licensing of additional spectrum. Our growth may slow, or we may stop growing altogether, to the extent that we have exhausted all potential airline partners and as we approach installation on full fleets and maximum penetration rates on all flights. To continue to grow our domestic revenue as Gogo Connectivity gains wider acceptance and we reach maximum penetration, we will have to rely on customer and airline partner adoption of currently available and new or developing services and additional offerings, including Gogo Vision and various services made possible by our in-flight platform, and adoption of operations-oriented communications services. We cannot assure you that we will be able to profitably expand our existing market presence or establish new markets and, if we fail to do so, our business and results of operations could be materially adversely affected.

We may be unsuccessful in expanding our operations internationally.

Our efforts to expand the services provided by our CA business to aircraft flying internationally began in the first quarter of 2012. Our ability to grow our international business involves various risks, including the need to invest significant resources in unfamiliar markets, the amount of which is subject to certain limitations under our new senior secured credit facility, and the possibility that we may not realize a return on our investments in the near future or at all. In addition, we have incurred and expect to continue to incur significant expenses before we generate any material revenue in these new markets. Under our agreements with providers of satellite capacity, we are obligated to purchase bandwidth for specified periods in advance. If we are unable to generate sufficient passenger demand or airline partners to which we provide satellite service to their aircraft terminate their agreements with us for any reason during these periods, we may be forced to incur satellite costs in excess of connectivity revenue generated through such satellites. Further, our expansion plans require significant management attention and resources and our CA business has limited experience in selling our solutions in international markets or in conforming to local cultures, standards or policies. Certain of our competitors, including current providers of Ku-band satellite service, have more experience than we do in the international commercial airline connectivity market. As a result, certain of our competitors may have pre-existing relationships with international airlines, may have obtained regulatory approvals in foreign jurisdictions or may already offer their equipment as standard, line-fit options on aircraft types, which may negatively affect our ability to enter into agreements with new international airline partners. Expansion of international marketing and advertising efforts could lead to a significant increase in our marketing and advertising expenses and would increase our customer acquisition costs. We may not be able to compete successfully in these international markets, and we may be unable to enter into agreements on favorable terms, if at all, to provide connectivity services to international fleets of our existing North American airline partners and to new international airline partners. In addition, our ability to expand will be limited by the demand for in-flight broadband internet access in international markets. Any failure to compete successfully in international markets could also negatively impact our reputation and domestic operations.

Any future international operations may fail to succeed due to risks inherent in foreign operations, including:

- legal and regulatory restrictions, including different communications, privacy, censorship, aerospace and liability standards, intellectual property laws and enforcement practices;

- changes in international regulatory requirements and tariffs;

- restrictions on the ability of U.S. companies to do business in foreign countries, including restrictions on foreign ownership of telecommunications providers and imposed by the U.S. Office of Foreign Assets

Control (OFAC);

inability to find content or service providers to partner with on commercially reasonable terms, or at all;

compliance with the Foreign Corrupt Practices Act, the (U.K.) Bribery Act 2010 and other similar corruption laws and regulations in the jurisdictions in which we operate and related risks;

difficulties in staffing and managing foreign operations;

- currency fluctuations; and
- potential adverse tax consequences.

As a result of these obstacles, we may find it difficult or prohibitively expensive to grow our business internationally or we may be unsuccessful in our attempt to do so, which could harm our future operating results and financial condition.

Our technology roadmap calls for the continued roll-out of Ku-band satellite service and, as and when available, the use of other satellite-based solutions, including Ka-band satellite service. Pursuant to an agreement with Inmarsat S.A., we are authorized to distribute Inmarsat s Global Xpress broadband internet access. Given the potentially extended lead time and cost necessary to implement Inmarsat s Ka-band satellite solution, potential delays in launching Inmarsat s services and the fact that we would not be the exclusive provider of Inmarsat satellite service, we may not realize any of the expected benefits from our agreement with Inmarsat, and, as a result, our growth prospects could be materially and adversely affected. To the extent that our satellite service providers do not satisfy our or our airline partners needs for any reason, our agreements with our satellite service providers do not yield the expected benefits, we fail to meet sales targets and other milestones set forth in the agreements or we otherwise fail to maintain a good working relationship with our satellite service providers, our current or future providers of satellite service may be unable to support our current international expansion plans. In addition, to the extent we enter into additional contracts to provide satellite-based connectivity service to airline partners, we will be required to secure additional satellite capacity, which may not be available on commercially reasonable terms, or at all. If we do not secure sufficient satellite capacity, we may be unable to meet the connectivity needs of passengers or the minimum service level requirements specified in our connectivity agreements, which could cause us to be in breach of our connectivity agreements and otherwise negatively affect our ability to successfully develop our international business.

We may be unsuccessful or delayed in developing and deploying our 2Ku technology.

Our next generation 2Ku service, which we expect to offer additional bandwidth and improved speeds for our connectivity service, is expected to be available to commercial aircraft by the end of 2015. Since our 2Ku service is currently in the development stage and has yet to be deployed for commercial use, there can be no assurance that such technology will perform as expected or be commercially available on our current timeline, if at all, due to, among other things, the failure of any 2Ku-related technology and equipment to perform as expected, problems arising in the manufacturing process, our reliance on single-source suppliers to provide certain necessary components and delays in obtaining or failures to obtain the required regulatory approvals for installation and operation of such equipment. We currently have agreements with two airlines to provide 2Ku to all or a portion of such airlines fleets and recently announced that Delta Air Lines intends to install 2Ku on aircraft in its fleet. The failure of 2Ku to perform as expected, or significant delays in our ability to deploy it, could result in material breaches of such agreements which could in turn result in termination of such agreements and liability to Gogo. In addition, three airlines have agreed or announced their intent to conduct 2Ku trials. If 2Ku fails to perform as expected or its commercial availability is significantly delayed as compared to the timelines for which we have contracted, our business, business prospects and results of operations may be materially adversely affected. In addition, our failure to timely deliver 2Ku could have a material adverse effect on our ability to alleviate capacity constraints in our network. See also We are experiencing network capacity constraints in the United States and expect capacity demands to increase, and we may in the future experience capacity constraints internationally. If we are unable to successfully implement planned or future technology enhancements to increase our network capacity, or our airline partners do not agree to such enhancements, our ability to maintain sufficient network capacity and our business could be materially and adversely affected.

We may be unsuccessful in generating or increasing revenue from Gogo Vision, our in-flight platform, Gogo Text & Talk and other services that we may offer in the future.

The future growth prospects for our CA business depend, in part, on airlines or passengers paying for Gogo Vision on-demand video services, on revenue from advertising fees and e-commerce revenue share

arrangements, on passenger purchases of goods and services through the in-flight portal, and on revenue from Gogo Text & Talk. Our ability to generate revenue from such services and other services we may offer in the future depends on:

- growth of our customer base;
- rolling out Gogo Vision or such other services on more aircraft and with additional airline partners and increasing passenger adoption;
- our customer base being attractive to media partners;
- establishing and maintaining beneficial contractual relationships with media partners whose content, products and services are attractive to airline passengers; and
- our ability to customize and improve services in response to trends and customer interests.

If we are unsuccessful in generating or increasing revenue from Gogo Vision, Gogo Text & Talk and our in-flight platform, our future growth prospects could be materially and adversely affected.

We may not be successful in our efforts to develop and monetize new products and services that are currently in development, including our operations-oriented communications services.

In order to continue to meet the evolving needs of our airline partners and customers, we must continue to develop new products and services that are responsive to those needs, including operations-oriented communications services. Our ability to realize the benefits of enabling airlines, other aircraft operators and to use these applications, including monetizing our services at a profitable price point, depends, in part, on the adoption and utilization of such applications by airlines, other aircraft operators and other companies in the aviation industry such as aircraft equipment suppliers, and we cannot be certain that airlines, other aircraft operators and others in the aviation industry will adopt such offerings in the near term or at all. We also expect to continue to rely on third parties to develop and offer the operational applications to be used to gather and process data transmitted on our network between the aircraft and the ground, and we cannot be certain that such applications will be compatible with our network or onboard equipment or otherwise meet the needs of airlines or other aircraft operators. If we are not successful in our efforts to develop and monetize new products and services, including our operations-oriented communications services, our future business prospects, financial condition and results of operations would be materially adversely affected.

The recent merger of American Airlines and US Airways could have a material adverse effect on our revenue and results of operations.

On December 9, 2013, American Airlines and US Airways merged into American Airlines Group, Inc. Both American Airlines and US Airways are our airline partners. The impact of the merger is inherently uncertain, and could result in reductions or other changes to the airlines fleets, including the elimination of their older or less efficient aircraft and the elimination of aircraft on duplicative routes, which may represent a material portion of their Gogo-equipped fleets, or taking planes scheduled for installation of Gogo equipment out of service. Our future

revenue may decrease and our growth prospects and results of operations could be materially adversely affected to the extent that aircraft eliminated from service are not proximately replaced with new Gogo-equipped aircraft.

A future act or threat of terrorism or other events could result in a prohibition on the use of Wi-Fi enabled devices on aircraft.

A future act of terrorism, the threat of such acts or other airline accidents could have an adverse effect on the airline industry. In the event of a terrorist attack, terrorist threats or unrelated airline accidents, the industry would likely experience significantly reduced passenger demand. The U.S. federal government or foreign governments could respond to such events by prohibiting the use of Wi-Fi enabled devices on aircraft, which

would eliminate demand for our equipment and service. In addition, any association or perceived association between our equipment or service and accidents involving aircraft on which our equipment or service operates would likely have an adverse effect on demand for our equipment and service. Reduced demand for our products and services would adversely affect our business prospects, financial condition and results of operations.

Air traffic congestion at airports, air traffic control inefficiencies, weather conditions, such as hurricanes or blizzards, increased security measures, new travel-related taxes, the outbreak of disease or any other similar event could harm the airline industry.

Airlines are subject to cancellations or delays caused by factors beyond their control. Cancellations or delays due to weather conditions or natural disasters, air traffic control problems, including work stoppages or reduced government funding, breaches in security, outbreaks of communicable diseases in regions served by equipped aircraft or other factors could reduce the number of passengers on commercial flights and thereby reduce demand for the Gogo service and harm our business, results of operations and financial condition.

Risks Related to Our BA Business

Equipment sales to original equipment manufacturers (OEMs) and after-market dealers account for the substantial majority of our revenue and earnings in the BA segment, and the loss of an OEM or dealer customer could materially and adversely affect our business and profitability.

Revenue from equipment sales on contracts with OEMs and after-market dealers accounted for more than 50% of revenue generated by our BA segment for each fiscal period presented in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. Almost all of our contracts with our OEM and dealer customers are terminable at will by either party and do not obligate our customers to purchase any of our equipment or services. If a key OEM or dealer terminates its relationship with us for any reason or our contract expires and is not renewed our business and profitability could be materially and adversely affected.

Our OEM customers may be materially adversely impacted by economic downturns and market disruptions. In anticipation of changing economic conditions, our customers may be more conservative in their production, which would result in fewer new aircraft available to receive our equipment. Further, unfavorable market conditions could cause one or more of our OEM customers to file for bankruptcy, which could have an adverse effect on our business prospects, financial condition and results of operations.

We operate in highly competitive markets with competitors who may have greater resources than we possess, which could reduce the volume of products we can sell and our operating margins.

Our BA equipment and service are sold in highly competitive markets. Some of our competitors are larger, more diversified corporations and have greater financial, marketing, production, and research and development resources. As a result, they may be better able to withstand the effects of periodic economic downturns or may offer a broader product line to customers. Our operations and financial performance will be negatively impacted if our competitors:

- develop service that is superior to our service;

- develop service that is priced more competitively than our service;

- develop methods of more efficiently and effectively providing products and services; or

- adapt more quickly than we do to new technologies or evolving customer requirements.

We believe that the principal points of competition in our BA segment are technological capabilities, price, customer service, product development, conformity to customer specifications, quality of support after the sale and timeliness of delivery and installation. Maintaining and improving our competitive position will require continued investment in technology, manufacturing, engineering, quality standards, marketing and customer

service and support. If we do not maintain sufficient resources to make these investments or are not successful in maintaining our competitive position, our operations and financial performance will suffer. In addition, competition may subject us to downward pricing pressures. Pricing at too high a level could adversely affect our ability to gain new customers and retain current customers, while increased competition could force us to lower our prices or lose market share and could adversely affect growth prospects and profitability. We may not have the financial resources, technical expertise or support capabilities to continue to compete successfully. A failure to respond to established and new competitors could have a material adverse impact on our business and results of operations.

We generally do not have guaranteed future sales of our equipment. Further, we enter into fixed price contracts with some of our customers, so we take the risk for cost overruns.

Many of our OEM customers may terminate their contracts with us on short notice and, in many cases, our customers have not committed to buy any minimum quantity of our equipment. In addition, in certain cases, we must anticipate the future volume of orders based upon non-binding production schedules provided by OEMs, the historical purchasing patterns of customers, and informal discussions with customers as to their anticipated future requirements. Cancellations, reductions or delays by a customer or group of customers could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, pursuant to many of our contracts with our OEM customers, we have agreed to deliver equipment and/or services, including equipment and services not yet in production, for a fixed price and, accordingly, take the risk of any cost overruns. Also, we may accept a fixed-price contract for equipment that we have not yet produced, and the fact that we have not yet produced the equipment increases the risk of cost overruns or delays in the completion of the design and manufacturing of the product.

Many of the risks that could harm our CA business could also adversely affect our BA business.

For the years ended December 31, 2014, 2013, and 2012 approximately 66%, 64%, and 55% of the equipment revenue, respectively, and approximately 85%, 77%, and 77% of the service revenue, respectively, for our BA segment was attributable to the sale of ATG equipment and subscriptions for our Gogo Biz in-flight broadband internet service. As such, many of the risks described above relating to our CA business and the Gogo service could also have a material adverse effect on our BA business, including expected capacity constraints on our network in the near-term, our ability to successfully implement technology enhancements to our network and our ability to successfully develop and deploy new products and services and generate revenue and profits from the sale of such products and services.

Risks Related to Our Technology and Intellectual Property and Regulation

Our CA-NA and BA businesses are dependent on our right to use spectrum exclusively licensed to us.

In June 2006, we purchased at FCC auction an exclusive ten-year, 3 MHz license for ATG spectrum that expires in October 2016, and in April 2013, as part of our acquisition of Airfone, we acquired an additional 1MHz ATG spectrum license that expires in October 2016. Prior to expiration of the initial license terms, we expect to apply to renew our licenses for additional ten-year terms without further payment. Any breach of the terms of our FCC licenses or FCC regulations including foreign ownership restrictions, permitted uses of the spectrum and compliance with Federal Aviation Administration (FAA) regulations, could result in the revocation, suspension, cancellation or reduction in the term of our licenses or a refusal by the FCC to renew the licenses upon expiration. Further, in connection with an application to renew our licenses upon expiration, a competitor could file a petition opposing such renewal on anti-competitive or other grounds. Our ability to offer in-flight broadband internet access through our ATG

service currently depends on our ability to maintain rights to use the 3MHz ATG spectrum in the U.S. and our failure to do so would have a material adverse effect on our business and results of operations. Our ability to meet increasing capacity demands and expand our service offerings in the United States may depend upon our ability to maintain rights to use the 1MHz ATG spectrum

and/or to obtain sufficient rights to use additional means to provide in-flight internet connectivity including spectrum for ATG or satellite, such as, for example, successful participation in the potential FCC auction of the 14 GHz spectrum, to the extent we elect to participate in such auction. Obtaining such spectrum can be a lengthy and costly process. We may not be able to license or maintain the spectrum necessary to execute our business strategy.

While our spectrum license allows us to be the exclusive provider of ATG broadband connectivity in the United States, additional ATG spectrum may become available in the United States or internationally in the future.

While we are currently the only provider of ATG service in the United States, the FCC may in the future decide to auction additional spectrum for ATG use that is not currently designated for that purpose, or a competitor could develop technology or a business plan that allows it to cost effectively use spectrum not specifically reserved for ATG, but on which ATG use is not prohibited, to provide broadband connectivity. On May 9, 2013, the FCC issued a notice of proposed rulemaking with respect to the 14 GHz spectrum. As a result of this rulemaking process, the FCC has prepared a draft order to auction off spectrum for ATG use and if we failed to adequately secure rights to such additional spectrum, the additional ATG spectrum, which would have greater capacity than our current spectrum, could be held by, or available for license to, one or more of our existing competitors or new entrants. In order to remain competitive, we may have to make significant expenditures to purchase or lease spectrum that is currently held by other licensees or that is newly auctioned for ATG use including the 14 GHz spectrum. We anticipate that the FCC will act on the proposed order designating the 14 GHz spectrum for ATG use in the near term, and we may elect to participate in any auction to license such spectrum. We are currently exploring various options with respect to developing and implementing a next generation air-to-ground technology in order increase bandwidth speeds and provide additional capacity in the contiguous United States. In February 2015, we announced that Delta Air Lines intends to partner with us in launching such technology. Our development and implementation of next generation air-to-ground technology will require that we obtain rights to sufficient 14GHz or other spectrum.

The availability of additional spectrum in the marketplace that is authorized for ATG use may increase the possibility that we may face competition from one or more other ATG service providers in the future. In addition, the FCC recently adopted an order establishing a more streamlined process for obtaining authority to provide satellite-based in-flight broadband service over the U.S., which could help facilitate the market entry of additional satellite-based competitors.

While our international competition currently consists of satellite-based interconnectivity services, discussions are occurring in the European Union and elsewhere regarding the possible allocation of spectrum for ATG service. In the event that spectrum becomes available in one or more regions for such purpose and is acquired by our existing competitors or new entrants, we could face competition from such providers in such regions.

We face specific risks related to the provision of telecommunications and data services by satellite.

We rely on third-party suppliers for services and equipment that we use to provide satellite telecommunication and connectivity services to commercial airline passengers and business aviation customers. We generated approximately 6%, 7%, and 8% of total BA segment revenue from subscriptions for voice and data services provided via satellite for the years ended December 31, 2014, 2013, and 2012, respectively. These voice and data services are provided in our BA segment through the resale on a non-exclusive basis of satellite-based telecommunications and data services owned and operated by third parties. We currently rely on two satellite partners to provide these services to our BA customers and have a number of satellite resellers as our competitors. Our agreements with our BA satellite partners are short-term in nature and one is subject to termination for convenience on 90 days notice. We also have agreements with three CA satellite partners, the earliest of which expires in 2017, to provide Ku-band and Ka-band satellite service on a non-exclusive basis. If

any of these agreements were terminated or not renewed upon expiration, or if any of our satellite partners fail to obtain, or lose, necessary regulatory authorizations, we could face material delays or interruptions in the provision of service to our customers that rely on satellite service for connectivity or other voice and data services. Our agreement with Inmarsat for the provision of Ka-band satellite service permits Inmarsat to terminate the agreement on 30 days notice if we do not meet certain targets and milestones, including our entry into agreements to offer its Global Xpress Ka-band satellite service to specified numbers of airlines and aircraft and the completion of the first test-flight demonstrating the use of Global Xpress service. If our agreements with our satellite partners were terminated or expired and were not renewed, we may not be able to find alternative satellite partners on terms that are acceptable to us, or at all. Certain of our agreements with satellite service providers commit us to purchase bandwidth up to five years in advance, which may exceed passenger demand and require us to incur unnecessary costs. See We may be unsuccessful in expanding our operations internationally. In addition, our agreements with satellite service providers may also contain terms, such as those related to termination, pricing and service levels, that are not consistent with our obligations under our connectivity agreements with airline partners that rely on such satellite service for connectivity. Such misalignment could cause us to be in breach of such connectivity agreements, and we may be unable to seek indemnification for such losses from our satellite service providers. Further, if our satellite partners were to increase the fees they charge us for resale of their services and we could not pass these increased costs on to our customers, it would increase our cost of service revenue and adversely impact our business and results of operations. We also have an agreement with a third party to provide the equipment, including radome, antenna and modems, necessary for us to provide our Ku-band satellite service. That agreement expires in 2015 and renews automatically from year to year thereafter. We have agreements with third parties to provide the equipment necessary for us to provide 2Ku satellite service. If any of the Ku or 2Ku supplier agreements, or any other agreement with equipment providers, were terminated for any reason or expired and were not renewed, we may not be able to find alternative equipment providers on terms that are acceptable to us, or at all, which could delay our ability to roll out our satellite service to airline partners and adversely impact our business and results of operations. In addition, we are required to obtain regulatory approvals for the provision of satellite service from certain foreign telecommunications regulatory bodies.

If we fail to comply with the Communications Act and FCC regulations limiting ownership and voting of our capital stock by non-U.S. persons we could lose our FCC license.

Under the Communications Act and applicable FCC regulations, we are effectively restricted from having more than 25% of our capital stock owned or voted directly or indirectly by non-U.S. persons, including individuals and entities organized outside the United States or controlled by non-U.S. persons. We have established procedures to ascertain the nature and extent of our foreign ownership, and we believe that the indirect ownership of our equity by foreign persons or entities is below the 25% cap. However, as a publicly traded company we may not be able to determine with certainty the exact amount of our stock that is held by foreign persons or entities at any given time. A failure to comply with applicable restrictions on ownership by non-U.S. persons could result in an order to divest the offending ownership, fines, denial of license renewal and/or spectrum license revocation proceedings, any of which would likely have a material adverse effect on our results of operations.

We could be adversely affected if we suffer service interruptions or delays, technology failures or damage to our equipment.

Our brand, reputation and ability to attract, retain and serve our customers depend upon the reliable performance of our in-flight website, network infrastructure, content delivery processes and payment systems. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down our website s performance and users access to the internet, or made our website inaccessible, and we may experience service interruptions, service delays or technology or systems failures in the future, which may be due to factors beyond our control. In the past, service failures or delays of our website have been remedied by bypassing the payment processing

step for users and directly connecting such users to the internet, leading to a

loss of revenue for those sessions. If we experience frequent system or network failures, our reputation, brand and customer retention could be harmed, we may lose revenue to the extent that we have to bypass the payment processing step in order to maintain customers connectivity to the internet and our airline partners may have the right to terminate their contracts with us or pursue other remedies.

Our operations and services depend upon the extent to which our equipment and the equipment of our third-party network providers is protected against damage or interruption from fire, flood, earthquakes, tornados, power loss, solar flares, telecommunication failures, break-ins, acts of war or terrorism and similar events. The capacity, reliability and security of our network infrastructure are important to the operation of our business, which would suffer in the event of system disruptions or failures, such as computer hackings, cyber-attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks or other malicious activities. Our networks and those of our third-party service providers may be vulnerable to these attacks and unauthorized access. In addition, the satellites upon which we rely for current and will rely for future services are and will be subject to significant operational risks while in orbit. These risks include malfunctions, which have occurred and may occur in the future as a result of various factors, such as satellite design and manufacturing defects, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space. Damage to our or third parties networks could cause interruptions in the services that we provide. Such interruptions in our services could have a material adverse effect on service revenue, our reputation and our ability to attract or retain customers.

We rely on single service providers for certain critical components of our network.

We rely on single source suppliers for a number of critical components of our network and operations. For example, we purchase all of the aircards used for our ATG and ATG-4 equipment from a single provider an affiliate of which we believe holds all of the patents for these components. This supplier has petitioned the FCC to designate certain spectrum for use as an additional ATG network and, as such, may in the future become our direct competitor. If we are required to find one or more alternative suppliers for aircards or any other component for which we may rely on a single source supplier, we may not be able to contract with them on a timely basis, on commercially reasonable terms, or at all. Additionally, we purchase equipment for all of the base stations used at our cell-sites from a single provider. The base stations used at our cell-sites may require six to nine months lead time to produce and are highly integrated with other components of our network. If we needed to seek one or more alternate suppliers for our base stations, we estimate that it could take up to a year or more before any such alternate supplier could deliver a component that meets our network requirements. We also license all of our ATG-4 bandwidth optimization software from a single provider. If we are required to find one or more alternative suppliers for this or comparable software, we may not be able to contract with them on a timely basis, on commercially reasonable terms, or at all. In addition, we purchase the components of the airborne equipment that is used to provide our Ku-band satellite service from a single provider and the various components of the 2Ku equipment from single source providers. If we are required to find one or more alternative suppliers for any of these components, we may not be able to contract with them on a timely basis, on commercially reasonable terms, or at all, which could adversely impact our ability to roll out our Ku-band satellite service with our current or future airline partners. The lack of alternative suppliers could lead to higher prices and a failure by any of our single source providers to continue to produce the component, or to otherwise fulfill its obligations, could have a material adverse effect on our business, results of operations and financial condition.

Assertions by third parties of infringement, misappropriation or other violations by us of their intellectual property rights could result in significant costs and substantially harm our business and operating results.

In recent years, there has been significant litigation involving intellectual property rights in many technology-based industries, including the wireless communications industry. We have faced, are currently facing and may face from

time to time in the future, allegations that we or a supplier or customer have violated the rights of third parties, including patent, trademark and other intellectual property rights.

If, with respect to any claim against us for violation of third party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be materially adversely affected. Many companies, including our competitors, are devoting significant resources to obtaining patents that could potentially cover many aspects of our business. In addition, there are numerous patents that broadly claim means and methods of conducting business on the internet. We have not exhaustively searched patents relevant to our technologies and business and therefore it is possible that we may be unknowingly infringing the patents of others.

Any infringement, misappropriation or related claims, whether or not meritorious, are time-consuming, divert technical and management personnel and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing technology, pay damages, enter into royalty or licensing agreements, cease providing certain products or services, adjust our merchandizing or marketing and advertising activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. Pursuant to our contracts with our airline partners and certain BA customers, we have agreed to indemnify our airline partners and such customers against such claims and lawsuits, and, in some cases, our contracts do not cap our indemnification obligations, which, in addition to obligating us to pay defense costs, could result in significant indemnification obligations in the event of an adverse ruling in such an action. In addition, certain of our suppliers do not indemnify us for third party infringement or misappropriation claims arising from our use of supplier technology. As a result, we may be liable in the event of such claims. Any of these events could result in increases in operating expenses, limit our service offerings or result in a loss of business if we are unable to meet our indemnification obligations and our airline partners terminate or fail to renew their contracts.

If we fail to meet agreed upon minimums or other milestones under certain supply agreements, such suppliers may sell critical components to third parties, leading to increased competition, or could terminate their agreements with us, which could have a material adverse effect on the expected growth of our business.

Our agreement with one of our suppliers of wireless access points includes provisions permitting such supplier to sell to third parties if we fail to meet specified minimum purchase requirements. In addition, our agreement with Inmarsat for the provision of Ka-band satellite service permits Inmarsat to terminate the agreement on 30 days notice if we do not meet certain targets and milestones, including our entry into agreements to offer its Global Xpress Ka-band satellite service to specified numbers of airlines and aircraft and the completion of the first test-flight demonstrating the use of Global Xpress service. Any of these events could cause us to face increased competition, which could have a material adverse effect on our business.

We or our technology suppliers may be unable to continue to innovate and provide products and services that are useful to consumers.

The market for our services is characterized by evolving technology, changes in customer needs and frequent new service and product introductions. Our future success will depend, in part, on our and our suppliers ability to continue to enhance or develop new technology and services that meet customer needs on a timely and cost-effective basis. If we or our suppliers fail to adapt quickly enough to changing technology, customer requirements and/or industry standards, our service offerings may fail to meet customer needs or regulatory requirements. We may have to invest significant capital to keep pace with innovation and changing technology, which could negatively impact our results of operations.

Furthermore, the proliferation of new mobile devices, including tablets, and operating platforms poses challenges for our research and development efforts. If we are unable to create, or obtain rights to, simple solutions for a particular

device or operating platform, we will be unable to effectively attract users of these devices or operating platforms and our business will be adversely affected.

We may not be able to protect our intellectual property rights.

We regard our trademarks, service marks, copyrights, patents, trade secrets, proprietary technologies, domain names and similar intellectual property as important to our success. We rely on trademark, copyright and patent law, trade secret protection, and confidentiality agreements with our employees, vendors, airline partners, customers and others to protect our proprietary rights. We have sought and obtained patent protection for certain of our technologies in the United States and certain other countries. Many of the trademarks that we use (including marks we have applied to register) contain words or terms having a somewhat common usage, such as In Air. Online. and Gogo Vision and, as a result, we may have difficulty registering them in certain jurisdictions. We do not own, for example, the domain www.gogo.com and we have not yet obtained registrations for our most important marks in all markets in which we may do business in the future, including China and India. If other companies have registered or have been using in commerce similar trademarks for services similar to ours in foreign jurisdictions, we may have difficulty in registering, or enforcing an exclusive right to use, our marks in those foreign jurisdictions.

There can be no assurance that the efforts we have taken to protect our proprietary rights will be sufficient or effective, that any pending or future patent and trademark applications will lead to issued patents and registered trademarks in all instances, that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks and other intellectual property will not be challenged, invalidated, misappropriated or infringed by others. Furthermore, the intellectual property laws and enforcement practices of other countries in which our service is or may in the future be offered may not protect our products and intellectual property rights to the same extent as the laws of the United States. If we are unable to protect our intellectual property from unauthorized use, our ability to exploit our proprietary technology or our brand image may be harmed and, as a result, our business and results of operations may suffer.

Our use of open source software could limit our ability to commercialize our technology.

Open source software is software made widely and freely available to the public in human-readable source code form, usually with liberal rights to modify and improve such software. Some open source licenses require as a condition of use that proprietary software that is combined with licensed open source software and distributed must be released to the public in source code form and under the terms of the open source license. Accordingly, depending on the manner in which such licenses were interpreted and applied, we could face restrictions on our ability to commercialize certain of our products and we could be required to (i) release the source code of certain of our proprietary software to the public, including competitors; (ii) seek licenses from third parties for replacement software; and/or (iii) re-engineer our software in order to continue offering our products. Such consequences could materially adversely affect our business.

The failure of our equipment or material defects or errors in our software may damage our reputation, result in claims against us that exceed our insurance coverage, thereby requiring us to pay significant damages, and impair our ability to sell our service.

Our products contain complex systems and components that could contain errors or defects, particularly when we incorporate new technology. If any of our products are defective, we could be required to redesign or recall those products or pay substantial damages or warranty claims. Such events could result in significant expenses, disrupt sales and affect our reputation and that of our products. If our on-board equipment has a malfunction, or there is a problem with the equipment installation, which damages an airplane or impairs its on-board electronics or avionics, significant property loss and serious personal injury or death could result. Any such failure could expose us to substantial product liability claims or costly repair obligations. In particular, the passenger jets operated by our airline partners are very costly to repair and therefore the damages in any product liability claims could be material. We carry aircraft and

non-aircraft product liability insurance consistent with industry norms. However, this insurance coverage may not be sufficient to fully cover the payment of any claims. A product recall or a product liability claim not covered by insurance could have a material adverse effect on our business, financial condition and results of operations. Further, we indemnify most of our airline partners for

losses due to third-party claims and in certain cases the causes for such losses may include failure of our products. Our business, financial condition and results of operations would also be materially adversely affected should we be required by the FAA or otherwise to cease providing the Gogo service, even on a temporary basis, as a result of a product malfunction or defect.

The software underlying our services is inherently complex and may contain material defects or errors, particularly when the software is first introduced or when new versions or enhancements are released. We have from time to time found defects or errors in our software, and defects or errors in our existing software may be detected in the future. Any defects or errors that cause interruptions to the availability of our services could result in:

- termination or failure to renew contracts by our airline partners;
- a reduction in sales or delay in market acceptance of our service;
- sales credits or refunds to our customers and airline partners;
- loss of existing customers and difficulty in attracting new customers;
- diversion of development resources;
- harm to our reputation and brand image;
- increased insurance costs; and
- claims for substantial damages.

The costs incurred in correcting any material defects or errors in our software may be substantial and could harm our results of operations.

Regulation by United States and foreign government agencies, including the FCC, which issued our exclusive ATG spectrum license, and the FAA, which regulates the civil aviation manufacturing and repair industries in the United States, may increase our costs of providing service or require us to change our services.

We are subject to various regulations, including those regulations promulgated by various federal, state and local regulatory agencies and legislative bodies and comparable agencies outside the United States where we may do business. The two U.S. government agencies that have primary regulatory authority over our operations are the FCC and the FAA.

The FCC regulates our use of the spectrum licensed to us and the licensing, construction, modification, operation, ownership, sale and interconnection of wireless telecommunications systems. Any breach of the terms of our ATG

spectrum license or other licenses and authorizations obtained by us from time to time, or any violation of the Communications Act or the FCC s rules, could result in the revocation, suspension, cancellation or reduction in the term of a license or the imposition of fines. From time to time, the FCC may monitor or audit compliance with the Communications Act and the FCC s rules or with our licenses, including if a third party were to bring a claim of breach or noncompliance. In addition, the Communications Act, from which the FCC obtains its authority, may be amended in the future in a manner that could be adverse to us. The FCC is currently conducting rulemaking proceedings to consider the service rules for certain aeronautical services and recently granted a petition and issued a notice of proposed rulemaking in connection with a request to designate certain spectrum, currently designated for non-ATG use, for ATG service. The timetable and ultimate outcome of such rulemaking processes are unknown and we are unable to determine whether they would have an effect on our business.

The commercial and private aviation industries, including civil aviation manufacturing and repair industries, are highly regulated in the United States by the FAA. FAA certification is required for all equipment we install on commercial aircraft and type certificated business aircraft, and certain of our operating activities require that

we obtain FAA certification as a parts manufacturer. As discussed in more detail in the section entitled Business Licenses and Regulation Federal Aviation Administration, FAA approvals required to operate our business include Supplemental Type Certificates (STCs) and Parts Manufacturing Authority (PMA). Obtaining STCs and PMAs is an expensive and time-consuming process that requires significant focus and resources. Any inability to obtain, delay in obtaining, or change in, needed FAA certifications, authorizations, or approvals, could have an adverse effect on our ability to meet our installation commitments, manufacture and sell parts for installation on aircraft, or expand our business and could, therefore, materially adversely affect our growth prospects, business and operating results. For example, a recent decision by the FAA to require additional testing for the radome we currently plan to use to provide our Ku-band satellite service has delayed and, to the extent that we and other affected providers of such services cannot satisfy the FAA s testing criteria, will continue to delay, our and their ability to install this equipment and may require a redesign of the equipment or the use of alternative equipment. Under a contract with Delta Air Lines to provide Ku-band satellite connectivity service on its international fleet, if the delay in obtaining approvals for our Ku-band satellite service extends beyond specified dates as adjusted for excusable delays, we may be in material breach of the contract, which would permit Delta to terminate the contract. The FAA closely regulates many of our operations. If we fail to comply with the FAA s many regulations and standards that apply to our activities, we could lose the FAA certifications, authorizations, or other approvals on which our manufacturing, installation, maintenance, preventive maintenance, and alteration capabilities are based. In addition, from time to time, the FAA or comparable foreign agencies adopt new regulations or amend existing regulations. The FAA could also change its policies regarding the delegation of inspection and certification responsibilities to private companies, which could adversely affect our business. To the extent that any such new regulations or amendments to existing regulations or policies apply to our activities, those new regulations or amendments to existing regulations generally increase our costs of compliance.

As a provider of telecommunications services in the business aviation industry, we are required to contribute a percentage of all revenue generated from interstate or international telecommunications services (or voice over internet protocol (VoIP) services, which we plan to offer) to the federal Universal Service Fund, which subsidizes telecommunications services in areas that are expensive to serve. The FCC currently is considering a number of reforms to its Universal Service Fund mechanisms that would expand the scope of that regulatory regime to cover broadband internet access services. Such reforms may include, but are not limited to, imposing obligations on broadband internet access service providers to contribute a percentage of the revenue earned from such services to the Universal Service Fund. To the extent the FCC adopts new contribution requirements that apply to broadband internet providers or otherwise imposes additional contribution obligations, such requirements and obligations may increase the costs we incur to comply with such regulations.

As a broadband internet provider, we must comply with the Communications Assistance for Law Enforcement Act of 1994, or CALEA, which requires communications carriers to ensure that their equipment, facilities and services can accommodate certain technical capabilities in executing authorized wiretapping and other electronic surveillance. Currently, our CALEA solution is fully deployed in our network. However, we could be subject to an enforcement action by the FCC or law enforcement agencies for any delays related to meeting, or if we fail to comply with, any current or future CALEA, or similarly mandated law enforcement related, obligations. Such enforcement actions could subject us to fines, cease and desist orders, or other penalties, all of which could adversely affect our business. Further, to the extent the FCC adopts additional capability requirements applicable to broadband internet providers, its decision may increase the costs we incur to comply with such regulations.

In addition to these U.S. agencies, we are also subject to regulation by foreign government agencies that choose to assert jurisdiction over us as a result of the service we provide on aircraft that fly international routes, including Industry Canada, which issued our exclusive Canadian ATG subordinate spectrum license and regulates our use of the spectrum licensed to us. Adverse decisions or regulations of these U.S. and foreign regulatory bodies could negatively

impact our operations and costs of doing business and could delay the roll-out of our services and have other adverse consequences for us. For example, a contract covering the international

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fleet of Delta Air Lines permits such airline to terminate its contract with us if we have not, by specified dates, obtained the FCC and foreign governmental regulatory approvals required to provide our Ku-band satellite service on aircraft flying such partner s international routes. Our ability to obtain certain regulatory approvals to offer the Gogo service internationally may also be the responsibility of a third party, and, therefore, may be out of our control. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

If government regulation of the internet, including e-commerce or online video distribution changes, we may need to change the way we conduct our business to a manner that incurs greater operating expenses, which could harm our results of operations.

The current legal environment for internet communications, products and services is uncertain and subject to statutory, regulatory or interpretive change. We cannot be certain that we, our vendors and media partners or our customers are currently in compliance with applicable regulatory or other legal requirements in the countries in which our service is used. Our failure, or the failure of our vendors and media partners, customers and others with whom we transact business to comply with existing or future legal or regulatory requirements could materially adversely affect our business, financial condition and results of operations. Regulators may disagree with our interpretations of existing laws or regulations or the applicability of existing laws or regulations to our business, and existing laws, regulations and interpretations may change in unexpected ways.

For example, before February 26, 2015, our mobile wireless broadband internet access services, including Gogo Connectivity and Gogo Biz, were classified as information services, and not as telecommunications services. Therefore, these services were not subject to FCC common carrier regulation, although other regulations did apply. The FCC s December 2010 net neutrality regulations required broadband internet access providers to provide detailed customer disclosures regarding network management practices, performance levels and commercial terms of the service. Other provisions of that order such as one which placed limits on our ability to block users access to lawful websites, including websites that may compete with our other services were struck down by a federal appeals court.

On February 26, 2015, the FCC adopted an order in which, according to an official FCC News Release, it reclassified mobile (and fixed) broadband internet access services as Title II telecommunications services. The text of the FCC order has not yet been released, but the News Release indicates that certain provisions of Title II will now apply to broadband internet access services, including provisions that: prohibit unjust or unreasonable practices or discrimination; allow investigation and enforcement; impose consumer privacy and accessibility protections; and facilitate certain universal service requirements. The News Release also indicates that the FCC has decided to forbear from applying a number of Title II requirements, including provisions related to rate regulation and universal service contributions. Until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices.

According to the News Release, the FCC also adopted broad new net neutrality rules. For example, broadband providers may not block access to legal content, applications, services, or non-harmful devices. Broadband providers also may not impair or degrade lawful internet traffic on the basis of content, applications, services, or non-harmful devices. In addition, broadband providers may not favor some lawful internet traffic over other lawful traffic in exchange for consideration of any kind, and they may not prioritize the content and services of their affiliates. For purposes of these rules, other than for paid prioritization, a provider may engage in reasonable network management. As noted above, until the full text of the FCC s order is released, we cannot assess what impact, if any, it may have on our current practices.

Other jurisdictions may adopt similar or different regulations that could affect our ability to use network management techniques. Likewise, the United States and the European Union, among other jurisdictions, are considering proposals regarding data protection that, if adopted, could impose heightened restrictions on certain of Gogo s activities relating to the collection and use of data of end users. Further, as we promote exclusive

content and services and increase targeted advertising with our media partners to customers of the Gogo service, we may attract increased regulatory scrutiny.

We cannot be certain what positions regulators may take regarding our compliance with, or lack of compliance with, current and future legal and regulatory requirements or what positions regulators may take regarding any past or future actions we have taken or may take in any jurisdiction. Regulators may determine that we are not in compliance with legal and regulatory requirements, and impose penalties, or we may need to make changes to the Gogo platform, which could be costlyTH="3%" style="font-family:times;">

$

Increase in pro forma net tangible book value per share attributable to this offering

$

Pro forma as adjusted net tangible book value per share as of March 31, 2008, as adjusted for this offering

$

Dilution per share to new investors

$

After this offering and assuming the exercise in full of all options outstanding and exercisable as of March 31, 2008, pro forma as adjusted net tangible book value per share as of March 31, 2008 would have been $, representing an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors.

We will not receive any proceeds from the sale of the shares to be sold by the selling stockholders or the shares that may be sold by the selling stockholders pursuant to the underwriters' option to purchase additional shares from the selling stockholders.

The following table sets forth on a pro forma as adjusted basis as of March 31, 2008:

- the number of shares of our common stock purchased by existing stockholders and the total consideration and the average price per share paid for those shares; and
- the number of shares of our common stock purchased by new investors and the total consideration and the average price per share paid for those shares (assuming an initial public offering price of $ per share, the midpoint of the filing range set forth on the cover of this prospectus).

These pro forma numbers give effect to the recapitalization of all outstanding shares of our common stock, Series B preferred stock and Series D preferred stock into newly issued shares of our common stock on approximately a one-for-one basis to be effectuated prior to the completion of this offering.

	Number of shares purchased	Total consideration	Average price per share
Existing stockholders	29,713,672	$ 22,871,138.25	$ 0.78
New investors			
Total			

As of March 31, 2008, we had 30,509,031 shares of capital stock outstanding. The share information shown in the table above excludes from that amount:

495,359 shares of common stock issued to certain of our employees as partial consideration for their employment with us;

100,000 shares of common stock issued to one of our stockholders as partial consideration for the service of one of its affiliates on our board of directors;

200,000 shares of common stock issued as partial consideration for our acquisitions of SelecTrans LLC and Bestway Solutions, LLC;

Of the 29,713,672 shares of our capital stock purchased, 29,638,672 were purchased by our director, officers and 5% or greater stockholders, and their respective affiliates, in private transactions for $22,870,388.25 and 75,000 were purchased upon the exercise of stock options by certain of our employees for $750.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents selected consolidated financial and other data as of and for the periods indicated. Financial information for periods prior to 2005 has not been presented because we were formed in January 2005. You should read the following information together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes.

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
				(unaudited)	(unaudited)
	(dollars in thousands, except per share data)				
Consolidated statements of operations data:					
Revenue:					
Transportation	$ 7,228	$ 32,417	$ 93,932	$ 12,694	$ 38,388
Fee for services	94	778	1,529	195	541
Total revenue	7,322	33,195	95,461	12,889	38,929
Transportation costs	6,152	27,704	74,576	10,373	30,175
Gross profit	1,170	5,491	20,885	2,516	8,754
Operating expenses:					
Commissions	156	866	4,291	314	1,922
General and administrative	1,472	4,387	12,037	1,730	4,625
Depreciation and amortization	67	691	1,845	257	705
Total operating expenses	1,695	5,944	18,173	2,301	7,252
Income (loss) from continuing operations	(525)	(453)	2,712	215	1,502
Other income (expense)	12	201	191	91	(1)
Income (loss) before income taxes and discontinued operations	(513)	(252)	2,903	306	1,501
Income tax benefit (expense)		220	(1,174)	(122)	(595)
Income (loss) before discontinued operations	(513)	(32)	1,729	184	906
Loss from discontinued operations		(214)			
Net income (loss)	(513)	(246)	1,729	184	906
Dividends on preferred shares	(154)	(749)	(1,054)	(262)	(262)
Net income (loss) applicable to common stockholders	$ (667)	$ (995)	$ 675	$ (78)	$ 644
Net income (loss) per share of common stock:					
Basic	$ (0.03)	$ (0.04)	$ 0.03	$	$ 0.03
Diluted	$ (0.03)	$ (0.04)	$ 0.03	$	$ 0.03
Shares used in per share calculations:					
Basic	21,548	22,388	23,425	22,836	24,114

	Years ended December 31,			Three months ended March 31,	
Diluted	21,548	22,388	24,905	22,836	25,416
Unaudited pro forma income tax benefit (expense)(1)	$ 205	$ (34)	$		
Unaudited pro forma net loss(1)	$ (308)	$ (280)	$		
Unaudited pro forma net income (loss) per share of common stock(2):					
Basic	$	$	$	$	$
Diluted	$	$	$	$	$
Shares used in unaudited pro forma per share calculations:					
Basic					
Diluted					
Other data:					
Enterprise clients(3)	12	27	62	33	65
Transactional clients served in period(4)	202	650	4,566	626	3,993
Total clients(5)	214	677	4,628	659	4,058
Employees and independent contractors(6)	44	105	344	138	433

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(1) Unaudited pro forma data presented gives effect to our conversion on June 7, 2006 into a corporation as if it occurred at the beginning of the period presented. Unaudited pro forma income tax benefit (expense) represents a combined federal and state effective tax rate of 40% and does not consider potential tax loss carrybacks, carryforwards or realizability of deferred tax assets. Unaudited pro forma net loss represents our net loss for the periods presented as adjusted to give effect to the pro forma income tax benefit (expense) prior to our conversion to a C corporation, as we were not subject to income tax due to our treatment as a partnership for tax purposes.

(2) Unaudited pro forma net income (loss) per share of common stock (i) reflects the recapitalization of all outstanding shares of our common stock, Series B preferred stock and Series D preferred stock on approximately a one-for-one basis and (ii) includes shares of our common stock to be sold by us in this offering assuming an initial public offering price of $ per share, the midpoint of the filing range set forth on the cover of this prospectus, the proceeds of which will be used to make approximately $2.3 million of required dividend payments to the holders of our Series B and D preferred shares.

(3) Reflects number of enterprise clients on the last day of the applicable period.

(4) Reflects number of transactional clients served in the applicable period.

(5) Reflects total number of enterprise clients determined on the last day of the applicable period and number of transactional clients served in the applicable period.

(6) Reflects number of employees, agents and independent contractors on the last day of the applicable period.

	As of December 31,		As of March 31,
	2006	**2007**	**2008**
			(unaudited)
		(in thousands)	
Consolidated balance sheet data:			
Cash and cash equivalents	$ 8,853	$ 1,568	$ 2,836
Working capital	7,891	4,600	4,996
Total assets	17,048	27,564	34,215
Total liabilities	5,602	12,322	17,648
Convertible preferred shares	17,648	18,695	18,955
Cash dividends per common share			
Total stockholders' deficit	$ (6,202)	$ (3,453)	$ (2,388)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes and the information contained in other sections of this prospectus, particularly under the headings "Risk Factors," "Selected Consolidated Financial and Other Data" and "Business." It contains forward-looking statements that involve risks and uncertainties, and is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those anticipated by our management in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the heading "Risk Factors."

Overview

We are a leading provider of technology enabled business process outsourcing (BPO) serving the transportation and logistics needs of our clients. Our proprietary technology platform compiles and analyzes data from our network of over 16,000 transportation providers to efficiently serve our clients' shipping and freight management needs. Our technology enables us to identify excess transportation capacity and obtain preferential rates, service terms and cost savings for our clients. We arrange transportation across all major modes, including truckload (TL), less than truck load (LTL), small parcel, inter-modal (which involves moving a shipment by rail and truck), domestic air, expedited services and international.

We procure transportation and provide logistics services for more than 4,600 clients across a wide range of industries, such as manufacturing and consumer products. Our clients fall into two categories, enterprise and transactional. We typically enter into multi-year contracts with our enterprise clients, which are often on an exclusive basis for a specific transportation mode or point of origin. As part of our value proposition, we also provide core logistics services to these clients. We provide transportation and logistics services to our transactional clients on a shipment-by-shipment basis, typically with individual, or spot market, pricing.

Acquisition of Mountain Logistics, Inc.

On May 17, 2007, we acquired Mountain Logistics, Inc. (which was doing business as Transportation Management Group but now operates under the Echo name), a third-party logistics provider with offices in Park City, Utah and Los Angeles, California. As a result of the acquisition, we believe we have established a significant presence in the West Coast market by gaining over 200 West Coast clients and 43 sales agents. The purchase price was $4.3 million, consisting of approximately $4.25 million in cash paid in May 2007 and expenses incurred directly related to the acquisition.

In addition, the former owners of Mountain Logistics may receive up to an additional aggregate amount of $6.45 million in cash and 550,000 unvested shares of our common stock issued to Mountain Logistics may vest as follows:

- $250,000 if the adjusted gross profit generated by Mountain Logistics from June 1, 2007 to May 31, 2008 equals or exceeds $2.6 million,

- $350,000 if the adjusted gross profit generated by Mountain Logistics from June 1, 2008 to May 31, 2009 equals or exceeds $2.6 million,

- $350,000 if the adjusted gross profit generated by Mountain Logistics from June 1, 2009 to May 31, 2010 equals or exceeds $2.6 million,

- $1 million or $2 million if the cumulative adjusted gross profit generated by Mountain Logistics from May 17, 2007 to May 31, 2010 equals or exceeds $10 million or $12 million, respectively,

and $1.5 million if the cumulative adjusted gross profit generated by Mountain Logistics from May 17, 2007 to October 31, 2010 equals or exceeds $15 million,

$1 million if the adjusted gross profit generated by Mountain Logistics from June 1, 2010 to May 31, 2011 equals or exceeds $8.3 million,

$1 million if the adjusted gross profit generated by Mountain Logistics from June 1, 2011 to May 31, 2012 equals or exceeds $8.3 million, and

550,000 shares of vested common stock if the adjusted gross profit generated by Mountain Logistics from June 1, 2007 to May 31, 2010 equals or exceeds $8.3 million, subject to certain conditions relating to profit margins.

Our 2007 results of operations include the results of operations of Mountain Logistics beginning May 1, 2007. In 2006, Mountain Logistics generated revenues of $12.0 million.

Acquisition of Bestway Solutions LLC

On October 15, 2007, we acquired Bestway Solutions LLC, a third-party logistics provider located in Vancouver, Washington. As a result of the acquisition, we believe we have established a Pacific Northwest presence. The purchase price was $1.1 million, consisting of $834,200 in cash, 50,000 shares of restricted common stock with a fair value of $214,500 and expenses incurred directly related to the acquisition.

In addition, the former owners of Bestway will, subject to certain exceptions, receive up to an additional aggregate amount of $303,300 in cash as follows:

up to $101,100 if the gross profit generated by Bestway from October 1, 2007 to September 30, 2008 equals or exceeds $1.71 million,

up to $101,100 if the gross profit generated by Bestway from October 1, 2008 to September 30, 2009 equals or exceeds $1.98 million, and

up to $101,100 if the gross profit generated by Bestway from October 1, 2009 to September 30, 2010 equals or exceeds $2.25 million.

Our 2007 results of operations include the results of operations of Bestway beginning October 1, 2007. In 2006, Bestway generated revenues of approximately $6.0 million.

Revenue

We generate revenue through the sale of transportation and logistics services to our clients. Since our inception, our growth rates have decreased as our revenue has grown, and we expect this trend to continue. Our total revenue was $7.3 million, $33.2 million and $95.5 million in 2005, 2006 and 2007, respectively, reflecting growth rates of 353% and 188% in 2006 and 2007, respectively, as compared to the corresponding prior year.

Our revenue is generated from two different types of clients: enterprise and transactional. Our enterprise accounts typically generate higher dollar amounts and volume than our transactional relationships. We categorize a client as an enterprise client if we have a contract with the client for the provision of services on a recurring basis. Our contracts with enterprise clients typically have a multi-year term and are often exclusive for a certain transportation mode or point of origin. In several cases, we provide substantially all of a client's transportation and logistics requirements. We categorize all other clients as transactional clients. We provide services to our transactional clients on a shipment-by-shipment basis. As of December 31, 2007, we had 62 enterprise clients and, in 2007, we served 4,566 transactional clients. In the first quarter of 2008, we entered into contracts with seven new enterprise clients. In 2005, 2006 and 2007, enterprise clients accounted for 45%, 78% and 56% of our

revenue, respectively, and transactional clients accounted for 55%, 22% and 44% of our revenue, respectively. The increase in our revenue attributable to enterprise clients in 2006 was due to the addition of several significant enterprise clients. In 2007, we experienced significant sales growth in our transactional client base because we increased the number of our transactional sales representatives and sales agents. We expect to continue to grow both our enterprise and transactional client base in the future, although the rate of growth for each type of client will vary depending on strategic opportunities in the marketplace.

Revenue is recognized when the client's product is delivered by a third-party carrier or when services have been rendered. We recognize revenue either on a gross basis or on a net basis depending on the specific terms of the shipment and the underlying agreement with our client. Revenue recorded on a gross basis for shipments is reported as transportation revenue. Revenue recorded on a net basis, including revenue for other services performed on behalf of our clients, is reported as fee for service revenue. In 2007, we had two enterprise clients and a portion of our small parcel shipments recorded on a net basis. In 2007, we recorded $93.9 million of transportation revenue and $1.5 million of fee for service revenue. See " Critical Accounting Policies Revenue Recognition."

Revenue recognized per shipment will vary depending on the transportation mode, shipment density and mileage of the product shipped. The primary modes of shipment that we transact in are TL, LTL and small parcel. Other transportation modes include inter-modal, domestic air, expedited services and international. Typically, our revenue is lower for an LTL shipment than for a TL shipment, and revenue per shipment is higher for shipments in modes other than TL, LTL and small parcel. Material shifts in the percentage of our total revenue by transportation mode could have a significant impact on our revenue growth. In 2007, LTL accounted for 42% of our total revenue, TL accounted for 36% of our total revenue, small parcel accounted for 14% of our total revenue and other transportation modes accounted for 8% of our total revenue.

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

Transportation costs and gross profit

We act primarily as a service provider to add value and expertise in the procurement and execution of transportation and logistics services for our clients. Our fee structure is primarily variable, although we have entered into a limited number of fixed fee arrangements that represent an insignificant portion of our revenue. The fixed fee arrangements that we have entered into are in the form of long-term enterprise contracts and are fixed in terms of fees earned per shipment. These arrangements are recorded as fee for services. The vast majority of our enterprise contracts have fee structures that are variable, and all of our transactional relationships have variable fee structures. The amount of transaction costs we record for each shipment depends on the qualification of the shipment as either gross or net. If the shipment is recorded at gross, our gross profit consists of transportation revenue minus transportation cost. Our transportation costs consists primarily of the direct cost of transportation paid to the carrier. If the shipment is recorded at net, our gross profit is our fee for service revenue, and no transportation cost is recorded for that shipment.

Gross profit is the primary indicator of our ability to procure services provided by carriers and other third-parties and is considered by management to be the primary measurement of our growth. Although our transportation cost is typically lower for an LTL shipment than for a TL shipment, our gross profit margin is typically higher for an LTL shipment than for a TL shipment. Material shifts in the percentage of our revenue by transportation mode, including small parcel, could have a significant impact on our gross profit. The discussion of results of operations below focuses on changes in our

gross profits and expenses as a percentage of gross profit margin. In 2005, 2006 and 2007, our gross profit was $1.2 million, $5.5 million and $20.9 million, respectively, reflecting growth rates of 369% and 280% in 2006 and 2007, respectively, compared to the corresponding prior year.

Operating expenses

Our operating expenses consist of commissions paid to our sales personnel, general and administrative expenses, including stock-based compensation expenses, to run our business and depreciation and amortization.

Commissions paid to our sales personnel are a significant component of our operating expenses. These commissions are based on the gross profit we collect from the clients for which they have primary responsibility. In 2005, 2006 and 2007, commission expense was 13.3%, 15.8% and 20.5%, respectively, as a percentage of our gross profit. The percentage of gross profit paid as commissions will vary depending on the type of client, composition of the sales team and mode of transportation. The increase in commission expense as a percentage of gross profit in 2006 and 2007 is partially attributable to the significant growth of our transactional sales during that time, which typically have higher commission rates. The increase is also attributable to our transition from early stage reliance on senior management relationships, with respect to which we generally do not pay commissions, to reliance on a dedicated sales force, to whom we do pay commissions. Commission expense, stated as a percentage of gross profit, could increase or decrease in the future depending on the composition of our revenue growth and the relative impact of changes in sales teams and service offerings.

We accrue for commission expense when we recognize the related revenue. Some of our sales personnel receive a monthly advance to provide them with a more consistent income stream. Cash paid to our sales personnel in advance of commissions earned is reflected as a prepaid expense on our balance sheet. As our sales personnel earn commissions, a portion of their commission payment is withheld and offset against their prepaid commission balance, if any. As of December 31, 2005, 2006 and 2007, our prepaid commission expense balance was $0.1 million, $0.2 million and $0.9 million, respectively.

Our general and administrative expenses primarily consist of compensation costs for our operations, information systems, finance and administrative support employees, and stock-based compensation. Historically, we have managed our business with relatively low general and administrative expenses. In 2005, 2006 and 2007, our general and administrative expenses were $1.5 million, $4.4 million and $12.0 million, respectively. In 2005, 2006 and 2007, general and administrative expenses as a percentage of gross profit were 125.8%, 79.9% and 57.6%, respectively. The decrease, as a percentage of gross profit, in 2006 and 2007 reflects our ability to add clients and sales personnel in order to increase our gross profit without incurring a corresponding increase in our general and administrative expenses during that time.

In 2006 and 2007, our stock-based compensation expense was $71,484 and $323,044, respectively. In 2006, we recorded stock-based compensation expense to comply with the requirement to expense stock options under FAS 123(R). In 2007, our stock-based compensation expense increased due to additional stock options we granted in 2007.

Our depreciation expense is primarily attributable to our depreciation of purchases of computer hardware and software, equipment and furniture and fixtures. In 2005, 2006 and 2007, our depreciation expense was $0.1 million, $0.7 million and $1.4 million, respectively.

Our amortization expense is attributable to our amortization of intangible assets acquired from Mountain Logistics in May 2007 and Bestway in October 2007, including client relationships, tradenames and non-compete agreements. In 2007, our amortization expense was $0.5 million.

Recapitalization

Prior to the completion of this offering, we intend to recapitalize all outstanding shares of our common stock, Series B preferred stock and Series D preferred stock into newly issued shares of common stock on approximately a one-for-one basis. The purpose of the recapitalization is to recapitalize all of our outstanding shares of capital stock into shares of the same class of common stock that will be sold in this offering. For a discussion of the recapitalization, see "Certain Relationships and Related Party Transactions Recapitalization."

Income Taxes

On June 7, 2006, our company completed a conversion pursuant to which Echo Global Logistics, LLC, a limited liability company, converted to Echo Global Logistics, Inc., a corporation. As a limited liability company, we were treated as a partnership for federal income tax purposes. As a result, all items of income, expense, gain and loss of Echo were generally reportable on the tax returns of members of Echo Global Logistics, LLC. Accordingly, we made no provisions for income taxes at the company level during 2005. Our earnings are now subject to federal and state taxes at a combined rate of approximately 40%.

As a result of our conversion, we now account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. In connection with our conversion, we used $9.4 million of our net proceeds from the issuance of our Series D preferred stock to redeem certain of our Series A common units. Because we redeemed the units as a limited liability company, the cash distribution was taxable to the members and our tax basis increased resulting in the recognition of a deferred tax asset of $3.8 million, for which we recorded a valuation allowance of $1.9 million and a corresponding net increase to additional paid in capital of $1.9 million.

Critical Accounting Policies

Revenue recognition

In accordance with EITF Issue 91-9, *Revenue and Expense Recognition for Freight Services in Process,* transportation revenue and related transportation costs are recognized when the shipment has been delivered by a third-party carrier. Fee for services revenue is recognized when the services have been rendered.

In accordance with EITF Issue 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent,* we recognize revenue either on a gross basis (transportation revenue) or on a net basis (fee for service revenue) depending on the specific terms of the shipment and the underlying agreement with our client. Factors influencing revenue recognition on a gross basis include the terms under which we bear the risks and benefits associated with revenue-generated activities by, among other things: (1) acting as a principal in the transaction; (2) establishing prices; (3) managing all aspects of the shipping process; and (4) taking the risk of loss for collection, delivery and returns. We recognize revenue on a gross basis (transportation revenue) if these factors are more prevalent, and we recognize revenue on a net basis (fee for service revenue) if these factors are less prevalent.

Goodwill and other intangibles

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Under SFAS No. 142, *Goodwill and other Intangible Assets*, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist, in accordance with the provisions of SFAS No. 142. We evaluate recoverability of goodwill using a two-step impairment test

approach at the reporting unit level. In the first step, the fair value for the reporting unit is compared to its book value, including goodwill. If the fair value of the reporting unit is less than the book value, a second step is performed, which compares the implied fair value of the reporting unit's goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair values of the reporting units and the net fair values of the identifiable assets and liabilities of such reporting units. If the fair value of the goodwill is less than the book value, the difference is recognized as an impairment. As of December 31, 2007, our goodwill balance was $1.9 million.

SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to the estimated residual values, and reviewed for the impairment whenever impairment indicators exist in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. Our intangible assets consist of client relationships, trade names and non-compete agreements, which are amortized on a straight-line basis over their applicable useful lives. As of December 31, 2007, the net balance of our intangible assets was $2.9 million.

Stock-based compensation

Prior to January 1, 2006, we accounted for stock-based employee compensation arrangements in accordance with provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and complied with the disclosure requirements of Financial Accounting Standards Board (FASB) No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of FASB Statement No. 123*. Effective January 1, 2006, we adopted the fair value recognition provisions of FAS 123(R), *Share-Based Payments*, using the prospective transition method and Black-Scholes as the option valuation model. Under the prospective transition method, we will continue to account for nonvested equity awards outstanding at the date of adopting Statement 123(R) in the same manner as they had been accounted for prior to adoption. As a result, under APB No. 25, compensation expense is based on the difference, if any, on the grant date between the estimated fair value of our stock and the exercise price of options to purchase that stock. The compensation expense is then amortized over the vesting period of the stock options.

In 2005, we accounted for stock-based compensation in accordance with APB Opinion No. 25. We granted 330,000 options in 2005 at exercise prices ranging from $0.01 to $0.25 per share, which were at or above the fair market value of our common stock. As a result, there was no intrinsic value associated with these option grants. Pursuant to APB Opinion No. 25, we were not required to record any compensation expense in connection with these option grants.

In 2006, we granted 1,550,000 options at exercise prices ranging from $0.77 to $2.88 per share. The fair value of our common stock for options granted in 2006 was determined by our management contemporaneously and approved by our board of directors. Our management utilized a discounted cash flow method to determine that our common stock had a fair value per share of $0.26 as of March 31, 2006, $0.77 as of June 30, 2006, $1.06 as of September 30, 2006 and $1.08 as of December 31, 2006. Our revenue was $33.2 million in 2006, compared to $7.3 million in 2005, and the increase in the value of our common stock attributable to the growth of our business was reflected accordingly. All options granted in 2006 had exercise prices that were at or above the fair value of our common stock.

We granted 178,500 options during the six months ended June 30, 2007 at exercise prices ranging from $1.08 to $3.50 per share, which were at or above the fair value of our common stock. We granted 667,000 options between July 1, 2007 and September 30, 2007 at exercise prices ranging from $4.00 to $4.05 per share, which was at or above the fair value of our common stock. The fair values of our common stock for options granted from January 1, 2007 to September 30, 2007 were determined through the contemporaneous application of a discounted cash flow method performed by our management and approved by our board of directors. We did not obtain contemporaneous valuations by an unrelated valuation specialist because our internal resources had the necessary knowledge to

perform the valuation utilizing a methodology consistent with the AICPA Guide, *Valuation of Privately-Held Company Equity Securities*. In November 2007, a contemporaneous valuation of our common stock was performed using a discounted cash flow debt-free method under the income approach to determine that the fair value of our common stock was $4.40 per share. During the fourth quarter of 2007, we granted 230,000 options at an exercise price of $4.40 per share. Our revenue was $95.5 million in 2007, compared to $33.2 million in 2006, and the increase in the value of our common stock attributable to the growth of our business was reflected accordingly.

In the three months ended March 31, 2008, we granted 30,000 options at an exercise price of $10.00 per share, which was above the fair value of our common stock. Management determined the fair value of our common stock contemporaneously through the application of a discounted cash flow methodology. We did not obtain a contemporaneous valuation by an unrelated valuation specialist for this period because our internal resources had the necessary knowledge to perform the valuation utilizing a methodology consistent with the AICPA Guide, *Valuation of Privately-Held Company Equity Securities*.

In April 2008, we granted 165,000 options at an exercise price of $5.86 per share, of which 40,000 vested immediately and the remaining 125,000 vested ratably over five years. The $5.86 per share exercise price was equal to the fair value of our common stock as of April 2008 as determined contemporaneously by management through the application of a discounted cash flow valuation methodology. In accordance with SFAS No. 123(R), we used the Black-Scholes-Merton option valuation model to determine that compensation expense of $393,350 will be recorded for this option grant. Of that amount, $79,600 has been recognized as expense at the date of grant for the options that vested immediately, and the remaining $313,750 will be expensed ratably over the five-year vesting period.

Prior to the completion of this offering, we will grant options to purchase 90,000 shares of our common stock to each of Orazio Buzza, our Chief Operating Officer, and Vipon Sandhir, our Executive Vice President of Sales. These options will have a term of ten years and an exercise price equal to the initial public offering price. These options will vest in three equal installments on January 1, 2009, January 1, 2010 and January 1, 2011.

Additionally, prior to the completion of this offering, we intend to grant options to purchase up to shares of our common stock under our 2008 Stock Incentive Plan to certain employees at an exercise price equal to the initial public offering price. The options will vest ratably over a -year peiod following the completion of this offering. Assuming the shares being offered pursuant to this prospectus are offered at $ per share, the midpoint of the filing range set forth on the cover of this prospectus, the value of all of the initial public offering grants of stock options as calculated using the Black-Scholes-Merton option model in accordance with SFAS No. 123(R) will be approximately $, which will be expensed ratably over the vesting periods.

In 2007, we granted options with exercise prices ranging from $1.08 to $4.40 per share. We determined that the fair value of our common stock increased from $1.08 to $4.40 per share in 2007. The reasons for this increase are as follows:

In the fourth quarter of 2006, the following significant events occurred which had an effect on the fair value of our common stock in 2007: (1) Samuel K. Skinner, the former Secretary of Transportation and Chief of Staff of the United State of America, was appointed as our Chairman, (2) Douglas R. Waggoner, former Chief Executive Officer of USF Bestway, was appointed as our Chief Executive Officer, (3) we launched our transactional call center and (4) we signed five new enterprise accounts.

In the first quarter of 2007, the following significant events occurred: (1) we signed seven new enterprise accounts, (2) we launched our upgraded technolgy platform, Optimizer, which formed the basis of the back office software application today referred to as the ETM technology platform, and (3) we unveiled our EchoTrak customer web portal, which allowed us to deploy the application to thousands of external users via the internet and also dramatically reduced internal administrative costs associated with supporting our enterprise clients.

In the second quarter of 2007, the following significant events occurred: (1) we signed eight new enterprise accounts and (2) we completed our acquisition of Mountain Logistics, Inc., which provided us with access to approximately 200 clients, 43 sales agents and a presence in the West Coast market.

In the third quarter of 2007, the following significant events occurred: (1) we signed eight new enterprise accounts, (2) we completed our acquisition of Bestway, which provided us access to approximately 100 clients and a presence in the Pacific Northwest, and (3) the transactional call center was reconfigured into a regional structure, and we increased our staffing plan to approximately 50 new sales representatives per quarter.

In the fourth quarter of 2007, the following significant events occurred: (1) we signed 12 new enterprise accounts, (2) we released EchoTrak 2.0, which included significant enhancements to our pricing engine allowing us to scale more rapidly by offering an improved LTL pricing interface, and (3) we engaged investment bankers to initiate the initial public offering process and began drafting our registration statement.

The factors stated above and the expected net proceeds from this offering impacted our growth strategies because a portion of the new capital will be used to expand our sales force, enhance our technology and acquire or make strategic investments in complementary businesses. Accordingly, the fair value of our common stock increased from $4.40 per share at December 31, 2007 to $5.86 per share at March 31, 2008.

Determining the fair value of our common stock required making complex and subjective judgments. The discounted cash flow method values the business by discounting future available cash flows to present value at an approximate rate of return. The cash flows are determined using forecasts of revenue, net income and debt-free future cash flow. Our revenue forecasts were based on expected annual growth rates ranging from 20% to 75%. The assumptions underlying the forecasts were consistent with our business plan. We applied a discount rate of approximately 20% to calculate the present value of our future available cash flows which was determined by us through utilization of the Capital Asset Pricing Model for companies in the "expansion" stage of development. We also applied a 5% lack of marketability discount to our enterprise value, which took into account that investments in private companies are less liquid than similar investments in public companies. The resulting value was allocated to our common stock outstanding. There is inherent uncertainty in these estimates.

Results of Operations

The following table sets forth our consolidated statements of income data for the periods presented in both thousands of dollars and as a percentage of our gross profit:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
				(unaudited)	
Consolidated statements of operations data:					
Revenue:					
Transportation	$ 7,228	$ 32,417	$ 93,932	$ 12,694	$ 38,388
Fee for services	94	778	1,529	195	541
Total revenue	7,322	33,195	95,461	12,889	38,929
Transportation costs	6,152	27,704	74,576	10,373	30,175
Gross profit	1,170	5,491	20,885	2,516	8,754
Operating expenses:					
Commissions	156	866	4,291	314	1,922
General and administrative	1,472	4,387	12,037	1,730	4,625
Depreciation and amortization	67	691	1,845	257	705
Total operating expenses	1,695	5,944	18,173	2,301	7,252
Income (loss) from operations	$ (525)	$ (453)	$ 2,712	$ 215	$ 1,502
Stated as a percentage of gross profit:					
Gross profit	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Commissions	13.3	15.8	20.5	12.5	22.0
General and administrative	125.8	79.9	57.6	68.8	52.8
Depreciation and amortization	5.8	12.5	8.9	10.2	8.0
Total operating expenses	144.9	108.2	87.0	91.5	82.8
Income (loss) from operations	(44.9)%	(8.2)%	13.0%	8.5%	17.2%

Comparison of three months ended March 31, 2008 and 2007

Revenue

Our total revenue increased by $26.0 million, or 202%, to $38.9 million during the three months ended March 31, 2008 from $12.9 million during the three months ended March 31, 2007. Transportation revenue increased by $25.7 million, or 202%, to $38.4 million during the three months ended March 31, 2008 from $12.7 million during the three months ended March 31, 2007. Fee for services revenue, a component of our revenue from enterprise clients, increased by $0.3 million, or 178%, to $0.5 million during the three months ended March 31, 2008 from $0.2 million during the three months ended March 31, 2007. The increase in the number of our clients, and the total number of shipments executed on behalf of, and services provided to, these clients, accounted for most of our revenue growth during this period. Revenue from Mountain Logistics and Bestway represented $8.7 million of our total revenue during the three months ended March 31, 2008.

Our revenue from enterprise clients increased by $7.7 million, or 80%, to $17.3 million during the three months ended March 31, 2008 from $9.6 million during the three months ended March 31, 2007 resulting from an increase in the number of enterprise clients and shipments executed and services provided. As we increased our number of transactional clients, our percentage of total revenue from

enterprise clients decreased to 45% of our revenue during the three months ended March 31, 2008 from 75% of our revenue during the three months ended March 31, 2007. As of March 31, 2008, we had 65 enterprise clients under contract, which was an increase of 32, compared to 33 enterprise clients under contract as of March 31, 2007.

Our revenue from transactional clients increased by $18.3 million, or 563%, to $21.6 million during the three months ended March 31, 2008 from $3.3 million during the three months ended March 31, 2007. The growth in revenue from transactional clients during this period was driven by the increase in the number of our transactional clients due to the addition of transactional sales representatives and sales agents, including sales agents added in connection with the Mountain Logistics and Bestway acquisitions. Our percentage of total revenue from transactional clients increased to 55% of our revenue during the three months ended March 31, 2008 from 25% of our revenue during the three months ended March 31, 2007. We served 3,993 transactional clients during the three months ended March 31, 2008, an increase of 3,367 compared to 626 transactional clients served during the three months ended March 31, 2007.

Transportation costs

Our transportation costs increased by $19.8 million, or 191%, to $30.2 million during the three months ended March 31, 2008 from $10.4 million during the three months ended March 31, 2007. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our transportation costs during this period. Our transportation costs as a percentage of total revenue decreased to 77.5% during the three months ended March 31, 2008 from 80.5% during the three months ended March 31, 2007. The improvement as a percentage of revenue is primarily due to a higher percentage of shipments from our transactional clients. Our transactional clients have typically given us more LTL volume than TL volume, and typically the transportation costs per shipment are lower for LTL than TL.

Gross profit

Gross profit increased by $6.2 million, or 248%, to $8.8 million during the three months ended March 31, 2008 from $2.5 million during the three months ended March 31, 2007. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our gross profit during this period. Gross profit margins increased to 22.5% during the three months ended March 31, 2008 from 19.5% during the three months ended March 31, 2007. The increase in gross profit margins was the result of our ability to negotiate more favorable terms on our shipments and an increase in our transactional sales, which typically have higher gross profit margins.

Operating expenses

Commission expense increased by $1.6 million, or 512%, to $1.9 million during the three months ended March 31, 2008 from $0.3 million during the three months ended March 31, 2007. As a percentage of gross profit, commission expense increased to 22.0% during the three months ended March 31, 2008 from 12.5% during the three months ended March 31, 2007. The increase in commission expense as a percentage of gross profit during the three months ended March 31, 2008 is partially attributable to growth in our transactional sales during that time, which typically have higher commission rates. The increase is also attributable to our transition from early stage reliance on senior management relationships, with respect to which we generally do not pay commissions, to reliance on a dedicated sales force, to whom we do pay commissions.

General and administrative expenses increased by $2.9 million, or 167%, to $4.6 million during the three months ended March 31, 2008 from $1.7 million during the three months ended March 31, 2007. The increase is primarily the result of hiring personnel to support our growth. As a percentage of gross profit, general and administrative expenses decreased to 52.8% during the three months ended

March 31, 2008 from 68.8% during the three months ended March 31, 2007. The decrease, as a percentage of gross profit, reflects our ability to add clients and sales personnel in order to increase our gross profit without incurring a corresponding increase in our general and administrative expense.

Stock-based compensation expense increased by $58,802, or 77%, to $135,048 during the three months ended March 31, 2008 from $76,246 during the three months ended March 31, 2007 due to additional stock options granted during the three months ended March 31, 2008.

Depreciation and amortization

Depreciation expense increased by $0.3 million, or 102%, to $0.5 million during the three months ended March 31, 2008 from $0.2 million during the three months ended March 31, 2007. The increase in depreciation expense is primarily attributable to purchases of computer hardware and software, equipment and furniture and fixtures during the year ended March 31, 2008.

Amortization expense from intangible assets increased by $0.2 million during the three months ended March 31, 2008 due to the acquisition of intangible assets of Mountain Logistics in May 2007 and Bestway in October 2007. In connection with the Mountain Logistics acquisition, we acquired intangible assets, including client relationships, trade names and non-compete agreements, with a value of $3.0 million, which are being amortized on a straight-line basis over their applicable useful lives. In connection with the Bestway acquisition, we acquired intangible assets, consisting of client relationships with a value of $0.4 million, which are being amortized on a straight-line basis over their applicable useful lives. We did not have amortization expense from intangible assets during the three months ended March 31, 2007.

Income from operations

Income from operations increased by $1.3 million, or 599%, to $1.5 million during the three months ended March 31, 2008 from $0.2 million during the three months ended March 31, 2007. The increase in income from operations reflects a decrease in transportation cost as a percentage of revenue and a decrease in operating expenses as a percentage of gross profit, which outpaced the increases in depreciation and amortization.

Other income and expense and income tax

Interest income, net of expense, decreased by $83,985, or, 91% to $8,629 during the three months ended March 31, 2008 from $92,614 during the three months ended March 31, 2007. The decrease is due to lower average cash balances during the three months ended March 31, 2008.

Income tax expense increased by $0.5 million to $0.6 million during the three months ended March 31, 2008, from $0.1 million during the three months ended March 31, 2007. Our effective tax rate for both periods was approximately 40%.

Net income

Net income increased by $0.7 million to $0.9 million during the three months ended March 31, 2008 from $0.2 million during the three months ended March 31, 2007.

Comparison of years ended December 31, 2007 and 2006

Revenue

Our total revenue increased by $62.3 million, or 188%, to $95.5 million in 2007 from $33.2 million in 2006. Transportation revenue increased by $61.5 million, or 190%, to $93.9 million in 2007 from $32.4 million in 2006. Fee for service revenue, a component of our revenue from enterprise clients, increased by $0.8 million, or 97%, to $1.5 million in 2007 from $0.8 million in 2006. The increase in the

number of our clients, and the total number of shipments executed on behalf of, and services provided to, these clients, accounted for most of our revenue growth during this period. Revenue from Mountain Logistics and Bestway, both of which were acquired in 2007, represented $17.3 million of our total revenue in 2007.

Our revenue from enterprise clients increased by $27.1 million, or 104%, to $53.2 million in 2007 from $26.1 million in 2006. Our fee for service revenue increased by $0.7 million, or 97%, to $1.5 million in 2007 from $0.8 million in 2006. The increase in the number of our enterprise clients, and the total number of shipments executed on behalf of, and services provided to, these clients, accounted for our enterprise revenue growth during this period. Our percentage of total revenue from enterprise clients decreased to 56% in 2007 from 78% in 2006 as we increased the number of our transactional clients. As of December 31, 2006 and 2007, we had 27 and 62 enterprise clients, respectively, or an increase of 35 enterprise clients in 2007.

Our revenue from transactional clients increased by $35.2 million, or 494%, to $42.3 million in 2007 from $7.1 million in 2006. The growth in revenue from transactional clients during this period was driven by the increase in the number of our transactional clients due to the addition of transactional sales representatives and sales agents, including sales agents added in connection with the Mountain Logistics and Bestway acquisitions. Our percentage of total revenue from transactional clients increased to 44% in 2007 from 22% in 2006. In 2006 and 2007, we served 650 and 4,566 transactional clients, respectively, or an increase of 3,916 transactional clients in 2007.

Transportation costs

Our transportation costs increased by $46.9 million, or 169%, to $74.6 million in 2007 from $27.7 million in 2006. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our transportation cost during this period. Our transportation costs as a percentage of total revenue decreased to 78.1% in 2007 from 83.5% in 2006. Our transportation costs as a percentage of transportation revenue decreased to 79.4% in 2007 from 85.5% in 2006. The improvement as a percentage of revenue is primarily due to a higher percentage of revenue from our transactional clients. Our transactional clients have typically given us more LTL volume than TL volume, and typically the transportation cost per shipment is lower for LTL than TL.

Gross profit

Gross profit increased by $15.4 million, or 280%, to $20.9 million in 2007 from $5.5 million in 2006. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our gross profit during this period. Gross profit margins increased to 21.9% in 2007 from 16.5% in 2006. The increase in gross profit margins was the result of our ability to negotiate more favorable terms on our shipments and an increase in our transactional sales, which typically have higher gross profit margins.

Operating expenses

Commission expense increased by $3.4 million, or 395%, to $4.3 million in 2007 from $0.9 million in 2006. As a percentage of gross profit, commission expense increased to 20.5% in 2007 from 15.8% in 2006. The increase in commission expense as a percentage of gross profit in 2007 is partially attributable to the significant growth of our transactional sales during that time, which typically have higher commission rates. The increase is also attributable to our transition from early stage reliance on senior management relationships, with respect to which we generally do not pay commissions, to reliance on a dedicated sales force, to whom we do pay commissions.

General and administrative expenses increased by $7.6 million, or 174%, to $12.0 million in 2007 from $4.4 million in 2006. The increase is primarily the result of hiring personnel to support our growth. As a percentage of gross profit, general and administrative expenses decreased to 57.6% in

2007 from 79.9% in 2006. The decrease, as a percentage of gross profit, reflects our ability to add clients and sales personnel in order to increase our gross profit without incurring a corresponding increase in our general and administrative expenses.

Stock-based compensation expense increased by $251,560, or 352%, to $323,044 in 2007 from $71,484 in 2006, due to additional stock options we granted in 2007.

Depreciation and amortization

Depreciation expense increased by $0.7 million, or 97.9%, to $1.4 million in 2007 from $0.7 million in 2006. The increase in depreciation expense is primarily attributable to purchases of computer hardware and software, equipment and furniture and fixtures in 2007.

Amortization expense from intangible assets increased by $0.5 million in 2007 due to the acquisition of intangible assets of Mountain Logistics in May 2007 and Bestway in October 2007. In connection with the Mountain Logistics acquisition, we acquired intangible assets, including client relationships and non-compete agreements, with a value of $3.0 million, which are being amortized on a straight-line basis over their applicable useful lives. In connection with the Bestway acquisition, we acquired intangible assets, consisting of client relationships with a value of $0.4 million, which are being amortized on a straight-line basis over their applicable useful lives. We did not have amortization expense from intangible assets in 2006.

Income (loss) from operations

Income from operations increased by $3.2 million to $2.7 million in 2007 from a loss of $0.5 million in 2006. The increase in income from operations resulted from a decrease in transportation cost as a percentage of total revenue and a decrease in operating expenses as a percentage of gross profit, which outpaced the increase in depreciation, amortization and stock-based compensation expense.

Other income and expense, income tax and discontinued operations

Interest income decreased by $10,186, or 4.7%, to $208,055 in 2007 from $218,241 in 2006. The decrease is due to a higher average cash balance in 2006.

Income tax expense increased $1.4 million to $1.2 million in 2007 from a benefit of $0.2 million in 2006. Our effective tax rate was approximately 40% in both 2006 and 2007.

In 2006, we ceased operations of Expert Transportation, a majority-owned subsidiary, resulting in a loss from discontinued operations of $0.2 million.

Net income (loss)

Net income increased by $2.0 million to net income of $1.7 million in 2007 from a net loss of $0.2 million in 2006.

Comparison of years ended December 31, 2006 and 2005

Revenue

Our total revenue increased by $25.9 million, or 353%, to $33.2 million in 2006 from $7.3 million in 2005. Transportation revenue increased by $25.2 million, or 348%, to $32.4 million in 2006 from $7.2 million in 2005. Fee for service revenue, a component of our revenue from enterprise clients, increased by $0.7 million, or 730%, to $0.8 million in 2006 from $0.1 million in 2005. The increase in the number of our clients, and the total number of shipments executed on behalf of, and services provided to, these clients, accounted for most of our revenue growth during this period.

Our revenue from enterprise clients increased by $22.8 million, or 697%, to $26.1 million in 2006 from $3.3 million in 2005. Our fee for service revenue increased by $0.7 million, or 730%, to $0.8 million in 2006 from $0.1 million in 2005. The increase in the number of our enterprise clients, and the total number of shipments executed on behalf of, and service provided to, these clients, accounted for our enterprise revenue growth during this period. Our percentage of total revenue from enterprise clients increased to 78% in 2006 from 45% in 2005 due to the increase in the number of our enterprise accounts and the increase in the number of shipments executed on behalf of our enterprise accounts. As of December 31, 2005 and 2006, we had 12 and 27 enterprise clients, respectively, or an increase of 15 enterprise clients in 2006.

Our revenue from transactional clients increased by $3.1 million, or 76%, to $7.1 million in 2006 from $4.0 million in 2005. The growth in revenue from transactional clients during this period was driven by the increase in the number of our transactional sales representatives. Our percentage of total revenue from transactional clients decreased to 22% in 2006 from 55% in 2005. In, 2005 and 2006, we served 202 and 650 transactional clients, respectively, or an increase of 448 transactional clients in 2006.

Transportation costs

Our transportation costs increased by $21.6 million, or 350%, to $27.7 million in 2006 from $6.2 million in 2005. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our transportation costs during this period. Our transportation costs as a percentage of total revenue decreased to 83.5% in 2006 from 84.0% in 2005. The slight decrease was primarily attributable to our ability to negotiate more favorable terms with certain enterprise clients in 2006. Our transportation costs as a percentage of transportation revenue increased slightly to 85.5% in 2006 from 85.1% in 2005.

Gross profit

Gross profit increased by $4.3 million, or 369%, to $5.5 million in 2006 from $1.2 million in 2005. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our gross profit during this period. Gross profit margins increased to 16.5% in 2006 from 16.0% in 2005. The increase in gross profit margins was the result of growth in our fee for service revenue and our ability to negotiate more favorable terms on our shipments.

Operating expenses

Commission expense increased by $0.7 million, or 455%, to $0.9 million in 2006 from $0.2 million in 2005. As a percentage of gross profit, commission expense increased to 15.8% in 2006 from 13.3% in 2005. The increase in commission expense as a percentage of gross profit in 2006 is partially attributable to the significant growth of our transactional sales during that time, which typically have higher commission rates. The increase is also attributable to our transition from early stage reliance on senior management relationships, with respect to which we generally do not pay commissions, to reliance on a dedicated sales force, to whom we do pay commissions.

General and administrative expenses increased by $2.9 million, or 198%, to $4.4 million in 2006 from $1.5 million in 2005. The increase is primarily attributable to the hiring of personnel to support our growth. As a percentage of gross profit, general and administrative expenses decreased to 79.9% in 2006 from 125.8% in 2005. The decrease, as a percentage of gross profit, reflects our ability to add clients and sales personnel in order to increase our gross profit without incurring a corresponding increase in our general and administrative expenses.

Stock-based compensation expense was $71,484 in 2006, which we recorded to comply with the requirement to expense stock options under FAS 123(R).

Depreciation and amortization

Depreciation expense increased by $0.6 million, or 935%, to $0.7 million in 2006 from $0.1 million in 2005. The increase in depreciation expense is primarily attributable to purchases of computer hardware and software, internally developed software, equipment and furniture and fixtures in 2006.

We did not have any amortization expense from intangible assets in 2005 or 2006.

Loss from operations

Loss from operations was reduced by $71,727 to a loss of $453,032 in 2006 from a loss of $524,759 in 2005. The reduction in loss from operations was due to a decrease in transportation cost as a percentage of total revenue and a decrease in operating expenses as a percentage of gross profit, which outpaced the increase in depreciation and amortization expense.

Other income and expense, income tax and discontinued operations

Interest income, net of expense, increased by $206,138 to $218,241 in 2006 from $12,103 in 2005. The increase is due to a higher average cash balance in 2006.

We recorded an income tax benefit of $220,170 in 2006 using an effective rate of 40%. The benefit was attributable to the period after we converted from a limited liability company to a C corporation in June 2006. No income tax was recorded in 2005, as we were not subject to income tax due to our treatment as a partnership for tax purposes in 2005.

In 2006, we ceased operations of Expert Transportation, a majority-owned subsidiary, resulting in a loss from discontinued operations of $0.2 million.

Net loss

Net loss decreased by $0.3 million, or 52.0%, to a net loss of $0.2 million in 2006 from a net loss of $0.5 million in 2005.

Quarterly Results of Operations

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

	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006	Mar. 31, 2007	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	Mar. 31, 2008
	(in thousands, except per share data)							
Total Revenue	$ 7,443	$ 9,340	$ 11,338	$ 12,889	$ 21,353	$ 27,698	$ 33,521	$ 38,929
Gross Profit	1,122	1,565	1,886	2,516	4,609	6,180	7,580	8,754
Net income (loss)	(57)	118	(314)	184	398	615	532	906
Net income (loss) per share of common stock:								
Basic	$ (0.01)	$ (0.01)	$ (0.03)	$	$ 0.01	$ 0.01	$ 0.01	$ 0.03
Diluted	$ (0.01)	$ (0.01)	$ (0.03)	$	$ 0.01	$ 0.01	$ 0.01	$ 0.03

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material impact on our operations in 2005, 2006 and 2007.

Liquidity and Capital Resources

Since inception, we have financed our operations through private sales of common and preferred equity, with net proceeds of $11.6 million and internally generated positive cash flow. As of March 31, 2008, we had $2.8 million in cash and cash equivalents and $5.0 million in working capital.

Cash provided by operating activities

Cash provided by operating activities increased by $2.6 million during the three months ended March 31, 2008 from a use of cash of $0.4 million during the three months ended March 31, 2007. The increase was attributable to higher net income. Net income, adjusted for non-cash expenses, increased by $1.8 million to $2.3 million during the three months ended March 31, 2008 from $0.5 million during the three months ended March 31, 2007.

Cash provided by operating activities decreased by $1.7 million in 2007 from $2.1 million in 2006. The decrease was attributable to growth in net current assets resulting from an increase in shipments on behalf of our clients and an increase in our accounts receivable balance resulting from the acquisition of the assets of Mountain Logistics and Bestway, which outpaced our improved cash flow from operating earnings. In 2007, growth in net current assets was primarily driven by a $6.4 million increase in accounts receivables offset by a $1.4 million increase in accounts payable and a $1.5 million increase in accrued liabilities. The increase in accounts receivable and accounts payable was due to an increase in the number of shipments that we executed on behalf of our clients in 2007. Net income, adjusted for non-cash expenses, increased $4.8 million to $5.0 million in 2007 from $0.3 million in 2006.

Cash provided by operating activities increased to $2.1 million in 2006 from a use of cash of $1.7 million in 2005. The increase was attributable to a reduction in net current assets and improved cash flow from operating earnings. In 2006, growth in net current assets was primarily driven by a $1.0 million increase in accounts receivable offset by a $2.6 million increase in accounts payable. Net income, adjusted for non-cash expenses for deferred taxes, depreciation and amortization and noncash stock compensation, increased $0.7 million to a source of $0.3 million in 2006 from a use of $0.4 million in 2005.

Cash used in investing activities

Cash used in investing activities was $1.1 million and $1.2 million during the three months ended March 31, 2008 and 2007, respectively. The primary investing activities during these periods was the procurement of computer hardware and software and the internal development of computer software.

In 2005, 2006 and 2007, cash used in investing activities was $0.6 million, $1.5 million and $8.8 million, respectively. Our investing activities generally include strategic acquisitions, the procurement of computer hardware and software and the internal development of computer software. In 2007, we used $4.8 million to acquire Mountain Logistics and Bestway, $0.9 million to purchase computer hardware and software and $3.1 million to internally develop computer software.

In 2005 and 2006, substantially all of our cash used in investing activities was dedicated to the procurement of computer hardware and software and the internal development of computer software.

Cash provided by financing activities

During the three months ended March 31, 2008, cash provided by financing activities was $0.2 million compared with a use of cash for financing activities of $0.1 million during the three months ended March 31, 2007. The primary driver of the increase in cash provided by financing activities was a sale of common equity to management during the three months ended March 31, 2008.

In 2005, 2006 and 2007, cash provided by financing activities was $3.7 million, $6.9 million and $1.1 million, respectively. In 2007, we raised $1.3 million through private sales of our common equity to key members of management, which included exercising of stock options. We raised $17.4 million through the sale of our Series D preferred stock in June 2006, $9.4 million of which was used to redeem certain of our Class A common stock and $1.0 million of which was distributed to the initial founders of the Company to fund their tax liabilities arising as a result of the redemption. We raised $125,000 through the sale of our Series B preferred stock in March 2005 and $3.5 million through the sale of our Series C preferred stock in June 2005. In June 2006, all of our Series C preferred stock was converted into shares of our common stock.

Credit facility

We have a $5.0 million line of credit with JPMorgan Chase Bank, N.A. As of December 31, 2007, no amount was outstanding. The maximum amount outstanding under our line of credit cannot exceed 80% of the book value of our eligible accounts receivable. Our line of credit contains limitations on our ability to incur indebtedness, create liens and make certain investments. Advances made under our line of credit accrue interest at a per annum rate equal to the prime rate or LIBOR plus 2%, at our option. Although we have not historically used our line of credit, we may determine to do so in the future.

Anticipated uses of cash

Our priority is to continue to grow our revenue and gross profit. We anticipate that our operating expenses and planned expenditures will constitute a material use of cash, and we expect to use available cash to expand our sales force, to enhance our technology, to acquire or make strategic investments in complementary businesses and for working capital and other general corporate purposes. We also expect to use available cash to make any earn-out payments due in connection with our acquisitions, including up to $6.45 million in cash payable contingent upon the achievement of certain performance measures by Mountain Logistics on or prior to May 31, 2012 and up to $303,300 in cash payable contingent upon the achievement of certain performance measures by Bestway on or prior to September 30, 2010. We currently expect to use up to $10.0 million for capital expenditures through the end of 2009. We also expect that we will use up to $15.0 million through the end of 2009 to fund working capital requirements. We expect the use of cash for working capital purposes will be offset by the cash flow generated from operating earnings during this period. We may use a portion of the net proceeds from this offering to fund these uses of cash. Although we do not expect to use our line of credit to fund this use of cash, we may determine to do so in the future.

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

Although we can provide no assurances, we believe that the net proceeds from this offering, together with our available cash and cash equivalents and amounts available under our line of credit, should be sufficient to meet our cash and operating requirements for the foreseeable future. Thereafter, we may find it necessary to obtain additional equity or debt financing. In the event additional financing is required, we may not be able to raise it on acceptable terms or at all.

Contractual Obligations

As of December 31, 2007, we had the following contractual obligations:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands)				
Capital lease obligations	$ 349	$ 100	$ 249	$	$
Operating lease obligations	6,536	719	2,489	3,328	
Total	$ 6,885	$ 819	$ 2,738	$ 3,328	$

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Commodity Risk

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

Interest Rate Risk

We have exposure to changes in interest rates on our line of credit. The interest rate on our line of credit fluctuates based on the prime rate or LIBOR plus 2%. Assuming the $5,000,000 line of credit was fully drawn, a 1.0% increase in the prime rate would increase our annual interest expense by $50,000.

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

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

Recent Accounting Pronouncements

In December 2007, FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51, *Consolidated Financial Statements*. SFAS No. 160 establishes accounting and reporting guidance for a noncontrolling ownership interest in a subsidiary and deconsolidation of a subsidiary. The standard requires that a noncontrolling ownership interest in a subsidiary be reported as equity in the consolidated statement of financial position and any related net income attributable to the parent be presented on the face of the consolidated statement of income. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year that begins after December 15, 2008. We will be required to adopt SFAS No. 160 on January 1, 2009, and do not expect the standard to have a material effect on our consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 revised 2007(R)*Business Combinations*. SFAS No. 141(R) replaces SFAS No. 141, *Business Combinations*, and establishes principles and requirements for how an acquirer: (1) recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in a business combination or gain from a bargain purchase; and (3) determines what information to disclose. SFAS No. 141(R) is effective for business combinations in which the acquisition date is in the first fiscal year after December 15, 2008. We are currently evaluating the Statement and determining the impact, if any, of adopting it effective January 1, 2009.

BUSINESS

Our Company

We are a leading provider of technology enabled business process outsourcing (BPO) serving the transportation and logistics needs of our clients. Our proprietary technology platform compiles and analyzes data from our network of over 16,000 transportation providers to efficiently serve our clients' shipping and freight management needs. Our technology enables us to identify excess transportation capacity and obtain preferential rates, service terms and cost savings for our clients. We arrange transportation across all major modes, including truckload (TL), less than truck load (LTL), small parcel, inter-modal (which involves moving a shipment by rail and truck), domestic air, expedited services and international. Our core logistics services include rate negotiation, shipment execution and tracking, carrier management, routing compliance, freight bill audit and payment and performance management and reporting, including executive dashboard tools.

We believe our ability to identify and utilize excess capacity solves a long-standing transportation industry problem of failing to match demand with available supply and benefits both our clients and the carriers in our network. Through our proprietary technology platform and the real-time market intelligence stored in our database, we are able to identify and utilize transportation providers with unused capacity on routes that our clients can employ. Our carrier network consists of over 16,000 transportation providers that have been selected based on their ability to effectively serve our clients in terms of price, capabilities, geographic coverage and quality of service. We believe the carriers in our network also benefit from the opportunity to serve the transportation needs of our clients with minimal sales, marketing or customer service expense.

Our proprietary technology platform, Evolved Transportation Manager (ETM), allows us to analyze our clients' transportation requirements and provide recommendations that often result in cost savings of 5% to 15%. Our clients communicate their transportation needs to us electronically through our EchoTrak web portal, other computer protocols, or by phone. Using pricing, service and available capacity data derived from our carrier network, historical transaction information and external market sources, ETM analyzes the capabilities and pricing options of our carrier network and recommends cost-effective shipping alternatives. After the carrier is selected, either by the client or us, we use our ETM technology platform to manage all aspects of the shipping process.

Our clients gain access to our carrier network through our proprietary technology platform, which enables them to capitalize on our logistics knowledge, pricing intelligence and purchasing leverage. In some instances, our clients have eliminated their internal logistics departments altogether, allowing them to reduce overhead costs, redeploy internal resources and focus on their core businesses. Using ETM also provides our clients with the ability to track individual shipments, transfer shipment-level data to their financial management systems and create customized dashboards and reports detailing carrier activity on an enterprise-wide basis. These features provide our clients with greater visibility, business analytics and control of their freight expenditures.

We procure transportation and provide logistics services for more than 4,600 clients across a wide range of industries, such as manufacturing and consumer products. Our clients fall into two categories, enterprise and transactional. We typically enter into multi-year contracts with our enterprise clients, which are often on an exclusive basis for a specific transportation mode or point of origin. As part of our value proposition, we also provide core logistics services to these clients, including the management of both freight expenditures and logistical issues surrounding freight to be transported. We provide transportation and logistics services to our transactional clients on a shipment-by-shipment basis, typically with individual pricing. For the year ended December 31, 2007, enterprise and transactional clients accounted for 56% and 44% of our revenue, respectively.

We are unencumbered by physical assets, meaning we do not own the transportation equipment used to transport our clients' freight or warehouse our clients' inventory. We believe this model allows us to be flexible and seek shipping alternatives that are tailored to the specific needs of our clients, rather than optimizing particular assets. In addition, the prices we quote to our clients for their shipping needs include the market cost of fuel. We generate revenue by procuring transportation services on behalf of our clients through our carrier network. Typically, we generate profits on the difference between what we charge to our clients for these services and what we pay to our carriers. Our fee structure is primarily variable, although we have entered into a limited number of fixed fee arrangements that represent an insignificant portion of our revenue.

In 2007, we served over 4,600 clients using approximately 3,900 different carriers. The number of our enterprise clients increased from 12 in 2005 to 62 in 2007 and we entered into seven contracts with new enterprise clients in the first quarter of 2008. Our revenue increased $88.2 million to $95.5 million in 2007 from $7.3 million in 2005, and our net income increased $2.2 million to $1.7 million in 2007 from a net loss of $0.5 million in 2005.

Our Founders

Eric P. Lefkofsky, Richard A. Heise, Jr. and Bradley A. Keywell (the "Founders") founded Echo in January 2005. In December 2006, Douglas R. Waggoner was hired as our Chief Executive Officer. Mr. Waggoner has worked in the transportation industry for 28 years, most recently as the President and Chief Executive Officer of USF Bestway. In February 2007, Samuel K. Skinner became the Chairman of our Board of Directors. Mr. Skinner has extensive experience in the transportation industry, having served as Secretary of Transportation and White House Chief of Staff under President George H.W. Bush and as the Chairman, Chief Executive Officer and President of USF Corporation.

In recent years, the Founders have also been involved in the formation of other companies that, like Echo, are based on business models that employ innovative technology, domain expertise and management experience to capitalize on inefficiencies in traditional supply chains and create compelling value propositions for both customers and suppliers. For example, Messrs. Lefkofsky and Heise were founders of InnerWorkings, Inc. (NASDAQ: INWK).

Prior to the hiring of Mr. Waggoner, Messrs. Keywell and Lefkofsky shared responsibility in overseeing day-to-day executive management of Echo's operations. Messrs. Keywell and Lefkofsky continue to have input that extends beyond their respective roles as members of our Board. In view of the significant role each of them played in our formation and development, members of our management continue to consult with each of Messrs. Keywell and Lefkofsky on a regular basis concerning a broad range of operating and strategic issues.

Our Market Opportunity

Overview of the Transportation and Logistics Market

Transportation involves the physical movement of goods, and logistics relates to the management and flow of those goods from origin to destination. The worldwide transportation and logistics market is an integral part of the global economy. According to the Council of Supply Chain Management Professionals, total transportation and logistics spend for the United States in 2006 was approximately $1.31 trillion. According to Armstrong & Associates, an independent research firm, gross revenue for third-party logistics in the United States in 2006 was approximately $113.6 billion.

Our management estimates that approximately 30% of available transportation capacity in the United States remains unused as a result of the inefficiencies in the transportation and logistics market relating to the absence of an established and automated marketplace. Without this marketplace, demand is not always matched with available supply due to constant fluctuations in transportation

capacity and imperfect information, resulting in underutilized assets. Logistics decisions such as carrier selection are made with limited analysis and access to real-time capacity data. As a result, carrier selection is regularly driven by the effectiveness of a carrier's sales organization and decisions are made with limited price information.

Outsourced Logistics Services

As companies seek to become more competitive, they tend to focus on their core business processes and outsource their non-core business processes to third-party providers. Third-party logistics providers for the transportation industry offer services such as transportation, distribution, supply chain management, customs brokerage, warehousing and freight management. Third-party logistics providers may also provide a range of ancillary services such as packaging and labeling, freight tracking and integration with client-specific planning systems to facilitate supply chain management.

According to Armstrong & Associates, from 1996 to 2006, the United States outsourced logistics market grew at a 13.9% compounded annual rate, from $30.8 billion to $113.6 billion in gross revenue. In addition, according to Armstrong & Associates, only 17% of logistics expenditures for the United States were outsourced in 2006. We believe that the market penetration of outsourced logistics in the United States will continue to expand and the outsourced logistics market in the United States will continue to grow over the next several years. We also believe that many companies will look to outsource their entire shipping department to third-party logistics providers rather than contracting with providers on a shipment-by-shipment basis.

The market for third-party logistics providers is highly fragmented. According to the Transportation Intermediaries Association, a professional organization representing transportation intermediaries, no single third-party logistics provider controls more than 5% of the United States market. Although a variety of business models exist within the transportation and logistics market, transportation providers are generally divided into two primary categories: asset-based transportation providers and non-asset-based service providers. Most asset-based providers have significant capital equipment and infrastructure and typically focus on maximizing their individual asset utilization to limit the amount of unused transportation capacity and increase their return on investment. Non-asset-based providers do not own the transportation equipment that is used to transport their clients' shipments, but instead serve as intermediaries that procure access to physical transportation capacity for shippers and contract warehousing providers. According to Armstrong & Associates, measured by 2006 gross revenue, asset-based providers accounted for 25% of domestic U.S. transportation management services while non-asset-based providers accounted for the other 75%.

Many large third-party logistics providers are asset-based providers. Non-asset-based providers typically operate as small freight brokers with limited resources, limited carrier networks and modest or outdated information technology systems. Our management believes fewer than 5% of non-asset-based providers have more than 100 personnel and the small providers, comprising the other 95%, lack the scale to support the increasing requirements for national and global coverage across multiple modes of transportation, the ability to offer complete outsourcing and the ability to provide their clients with technology-driven logistics services.

Transportation and Logistics Business Process Outsourcing (BPO) Trends

We believe that the following trends will continue to drive growth in the business process outsourcing of transportation and logistics:

Recognition of Outsourcing Efficiencies. Companies increasingly recognize that repetitive and non-core functions such as transportation and logistics management can be outsourced to specialists, resulting in cost savings, improved service and increased return on investment. By outsourcing transportation and logistics to third-party providers, companies can also achieve greater operational

flexibility by redeploying resources to core activities. According to Armstrong & Associates, the United States outsourced logistics market has grown from $30.8 billion in 1996 to $113.6 billion in gross revenue in 2006, which we believe evidences the recognition of the benefits of outsourcing logistics.

Increasing Complexity of Global Supply Chains. As global supply chains become more complex, we believe customers will increasingly rely on single providers that can provide the full range of logistics services across multiple transportation modes. Additionally, as manufacturing processes continue to shift towards lower cost centers, raw materials and finished products are traveling greater distances to reach their destination for consumption. At the same time, companies are seeking ways to reduce costs and compete with global competitors. These challenges have forced companies to look for ways to benefit from low cost labor regions and optimize their business processes. We believe that globalization results in an increased demand for logistics service providers that have national and global carrier relationships across multiple modes of transportation.

Demand for Technology Enabled BPO Transportation and Logistics Services. Logistics outsourcing has historically been focused on realizing immediate cost savings on a shipment-by-shipment basis using a labor-intensive, non-scalable process. Information technology is becoming an important catalyst for logistics outsourcing, and clients will benefit from providers that are technologically sophisticated and able to analyze data to optimize the marketplace. Technology enabled third-party logistics providers can also identify transportation routes and excess capacity and are able to aggregate purchasing power more efficiently than traditional third-party logistics providers.

Opportunity for Providers of Technology Enabled BPO Transportation and Logistics Services

In the current state of the transportation and logistics market, we believe a third-party logistics provider with superior technology-driven services can differentiate itself by offering additional cost-savings through its ability to:

- analyze real-time carrier pricing across multiple transportation modes through proprietary data repositories;
- aggregate clients' shipping spend for better pricing;
- build more sophisticated pricing algorithms;
- analyze historical transportation spend data;
- offer access to real-time tracking, monitoring and reporting on shipments;
- integrate with clients' existing technology applications;
- provide improved reporting and auditing capabilities; and
- evaluate carrier performance.

Our Competitive Advantage

We believe a number of important competitive strengths will continue to drive our success in the future, including:

Innovative business model with significant value proposition for clients. We believe our technology-driven, transportation and logistics services improve on traditional transportation outsourcing models because we aggregate fragmented supply and demand information across all major modes of transportation from our network of clients and carriers. By using our proprietary technology platform and the market intelligence stored in our database, we are able to provide services more efficiently and recommend a carrier for each route, in each mode, at any given moment, often leading to cost savings. Our clients benefit from our buying power aggregated through our more than 4,600 clients. We believe

this buying power enables us to provide an efficient network of capacity at preferential rates. As a result, we are able to reduce many of our clients' total annual transportation and logistics costs by between 5% to 15%, while providing high-quality service.

Proprietary technology platform. Our proprietary ETM technology platform is a web-based system that provides cost savings, supply chain visibility and shipment execution across all major modes of transportation. ETM allows us to compile freight and logistics data from our diversified network of over 16,000 carriers to efficiently serve our clients' shipping needs and optimize their freight management. Our ETM database expands and becomes more difficult to replicate as we increase the number of shipments and the amount of pricing, service and available capacity data increases. We use our ETM technology platform to analyze the capabilities of our carrier network and recommend cost-effective carriers in the appropriate transportation mode. We also use our ETM technology platform to track individual shipments and provide customized reports throughout the lifecycle of each shipment, allowing us to manage the entire shipping process from pick-up to delivery as part of our value proposition. ETM provides client-specific intelligence by giving them self-service access to carrier pricing information derived from data stored within ETM. The collective components of our ETM technology platform allow us to craft an integrated transportation solution for each client. We believe that the ability to provide these integrated transportation solutions furthers our competitive advantage.

Client interfacing technology and service. Our proprietary technology platform provides a central, scalable and configurable interface that enables our clients to cost-effectively manage their transportation and logistics costs. Our technology platform provides our clients with access to transportation market analytics and business intelligence capabilities. By using our suite of web-based applications, our clients can obtain real-time information on individual shipments and available capacity, transfer shipment-level data to their financial management systems and create customized dashboards and reports detailing carrier activity on an enterprise-wide basis. In addition, we offer our enterprise clients superior client care through dedicated teams of account executives and on-site support.

Multi-faceted sales strategy. We have built a multi-faceted sales strategy that effectively utilizes our enterprise sales representatives, transactional sales representatives and agent network. Our enterprise sales representatives typically have significant sales expertise and are focused on building relationships with our clients' senior management teams to execute multi-year enterprise contracts, typically with terms of one to three years. Our transactional sales representatives, with support from our account executives, are focused on building new transactional client relationships and migrating transactional accounts to enterprise accounts. From inception through 2007, 13% of our enterprise accounts were converted from transactional accounts, and of the seven contracts entered into with new enterprise clients in the first quarter of 2008, two were converted from transactional accounts. Our network of agents enables us to benefit from seasoned industry professionals with access to regional shipping markets. Our agents are typically experienced industry sales professionals focused on building relationships with client department level transportation managers, such as shipping, traffic or logistics managers. From inception through 2007, 13 of our enterprise accounts and 1,192 of our transactional accounts were sourced through our network of agents. Our multi-faceted sales strategy enables us to engage clients on a shipment-by-shipment basis (transactional) or a fully or partially outsourced basis (enterprise), which we believe significantly enhances our ability to attract new clients and increase our revenue from existing clients. Our ability to work with clients on a transactional basis also allows for a gradual and transparent transition to a fully-outsourced enterprise engagement, which we believe enhances our ability to sign new enterprise contracts.

Access to our carrier network. Our carrier network consists of over 16,000 carriers that have been selected based on their ability to effectively serve our clients on the basis of price, capabilities, geographic coverage and quality of service. We regularly monitor our carriers' pricing, shipment track

record, capacity and financial stability using a system in which carriers are graded based on their performance against other carriers, giving our clients an enhanced level of quality control. By using our visibility into carrier capacity, we are also able to negotiate favorable rates, manage our clients' transportation spend and identify cost-effective shipping alternatives.

Experienced management team. We have a highly experienced management team with extensive industry knowledge. Our Chief Executive Officer, Douglas R. Waggoner, is the former President and CEO of USF Bestway, a regional carrier based in Scottsdale, Arizona, and Daylight Transport, a LTL carrier based in Long Beach, California. Our Chief Financial Officer, David B. Menzel, is the former Chief Financial Officer of G2 SwitchWorks Corp., a travel technology company. Our non-executive Chairman, Samuel K. Skinner, is the former Chairman, President and Chief Executive Officer of USF Corporation, and the former Secretary of Transportation of the United States of America.

Our Strategy

Our objective is to become the premier provider of transportation and logistics services to corporate clients in the United States. Our business model and technological advantage have been the main drivers of our historical results and have positioned us for continued growth. The key elements of our strategy include:

Expand our client base. We intend to develop new long-term client relationships by using our industry experience and expanding our sales and marketing activities. As of March 31, 2008, we had contracts with 65 enterprise clients, including 35 new enterprise contracts executed in 2007 and seven new enterprise contracts executed in the first quarter of 2008. We seek to attract new enterprise clients by targeting companies with substantial transportation needs and demonstrating our ability to reduce their transportation costs by using our ETM technology platform. In addition, we plan to continue to hire additional sales representatives to build our transactional business across all major modes. We believe our business model provides us with a competitive advantage in recruiting sales representatives as it enables our representatives to leverage our proprietary technology and carrier network to market a broader range of services to their clients at prices that are typically lower than those offered by our competitors.

Further penetrate our established client base. We believe our established client base presents a substantial opportunity for growth. As we increase the services we provide and demonstrate our ability to deliver cost savings, we are able to strengthen our relationships with our clients, penetrate incremental modes and geographies and generate more shipments. In 2007, 33% of our clients increased their business with us by more than 10%, and our recurring revenue from these clients increased from $33.2 million in 2006 to $49.1 million in 2007. In addition, as we become more fully integrated into the businesses of our transactional clients and are able to identify additional opportunities for efficiencies, we seek to further penetrate our client base by selling our enterprise services to those clients. Of our 65 enterprise clients as of March 31, 2008, 10 began as transactional clients.

Continue to make strategic acquisitions. We have grown, in part, through acquisitions. We intend to continue to make strategic acquisitions that complement our relationships and domain expertise and expand our business into new geographic markets. Our objective is to increase our presence and capabilities in major commercial freight markets in the United States. We may also evaluate opportunities to access attractive markets outside the United States from time to time, or selectively consider strategic relationships that add new long-term client relationships, enhance our services or complement our business strategy.

Further invest in our proprietary technology platform. We intend to continue to improve and develop Internet and software-based information technologies that are compatible with our ETM

platform. In order to continue to meet our clients' transportation requirements, we intend to invest in specific technology applications and personnel in order to improve and expand our offering. As of December 31, 2007, we had approximately 6,000 individual users of ETM and as the number of users expands, we will continue to invest in both IT development and infrastructure.

Our Proprietary Technology Platform

Our proprietary ETM technology platform allows us to analyze our clients' transportation requirements and provide customized shipping recommendations that often result in cost savings of 5% to 15%. We collect and store pricing and market capacity data in our ETM database from each interaction with carriers, and our database expands as a result of these interactions. We have also developed data acquisition tools that retrieve information from both private and public transportation databases, including subscription-based sources and public transportation rate boards, and incorporate that information into the ETM database. Using pricing, service and available capacity data derived from our carrier network, historical transaction information and external market sources, we are able to analyze the capabilities of our carrier network to recommend cost-effective shipping alternatives. We believe that the carriers with the most available capacity typically offer the most competitive rates.

Our clients communicate their transportation needs to us electronically through our EchoTrak web portal, other computer protocols, or by phone. ETM generates pricing and carrier information for our clients by accessing pre-negotiated rates with preferred carriers or using present or historical pricing and capacity information contained in our database. If a client enters its own shipment, ETM automatically alerts the appropriate account executive. ETM's pricing algorithms are checked for accuracy before the rates are made available to our account executives. If an error occurs and an inaccurate rate is conveyed to a client, we will honor the quoted rate and correct the defective algorithm to insure that all quoted rates going forward are accurately calculated. To date, any losses incurred as a result of an inaccurate quote have been negligible. After the carrier is selected, either by us or the client, our account executives use our ETM technology platform to manage all aspects of the shipping process.

We have developed specialized software applications to provide our transportation and logistics services across all major modes of transportation. The software applications shown below reflect the key elements of our ETM technology platform:

The key elements of our ETM technology platform include:

EchoTrak is an Internet-based web portal that connects and integrates our clients with ETM. By entering a username and password, our clients are able to display historical and active shipments in the ETM system using configurable data entry screens sorted by carrier, price, delivery date, destination and other relevant specifications. EchoTrak also generates automatic alerts to ensure that shipments are moving in accordance with the client specifications and timeline.

eConnect is a set of tools that allows our clients and carriers to interact directly with ETM electronically through any of several computer protocols, including EDI, XML and FTP. The eConnect tools serve as an electronic bridge between the other elements of our ETM technology platform and our clients' enterprise resource planning (ERP), billing, accounts receivable, accounts payable, order management, back office and e-commerce systems. Through eConnect, our clients are able to request shipping services and receive financial and tracking data using their existing systems.

RateIQ is a pricing engine that manages LTL tariffs and generates rate quotes and transit times for LTL shipments. RateIQ also provides integrated tools to manage dispatch, communications, data collection and management functions relating to LTL shipments.

LaneIQ is a pricing engine that generates rate quotes for TL shipments. LaneIQ also provides integrated tools to manage dispatch, communications, headhaul and backhaul data collection and management functions relating to TL shipments.

EchoPak is a small parcel pricing and audit engine. For each small parcel shipped, EchoPak audits carrier compliance with on-time delivery requirements and pricing tariffs. In addition, EchoPak tracks information for each parcel and is able to aggregate and analyze that data for clients. For instance, clients are able to view shipments by date, business unit, product line and location, and clients can access information regarding service levels and pricing.

Optimizer Tracking stores shipment information en-route and after final delivery. The shipment data is typically acquired through our carrier EDI integration, allowing our clients to track the location and status of all shipments on one screen, regardless of mode or carrier. Final delivery information is permanently archived, allowing us to provide our clients with carrier performance reporting by comparing actual delivery times with the published transit time standards.

Optimizer Imaging allows us to store digital images of all shipping documents, including bills of lading and delivery receipts. We index the images with the shipment data so users are able to view documents associated with an executed transaction. We use Document Imaging internally to store carrier qualification documents, including W-9, US Department of Transportation authority and proof of insurance.

CAS (Cost Allocation System) automatically audits carrier invoices against our rating engine and accounts payable accrual system. If the amounts match, the invoice is automatically released for payment. If the amounts do not match, the invoice is sent to various administrative personnel for manual processing and resolution. CAS also integrates to our general ledger, accounts receivable and accounts payable systems.

Accounting includes our general ledger, accounts receivable and accounts payable functions. Accounting is integrated with CAS and EchoIQ, which gives us the ability to access both financial and operational data in our data warehouse and reporting systems.

EchoIQ stores internally and externally generated data to support our reporting and analytic functions and integrates all of our core applications with ETM.

ETM fully supports our logistics services, which we provide to our clients as part of our value proposition. Our ETM technology platform is able to track individual shipments and provide customized data and reports throughout the lifecycle of the shipment, allowing us to manage the entire shipping process for our clients. Our customized reports also provide our clients with greater visibility and control over their transportation expenditures, and our ability to benchmark the performance of their internal operations helps identify opportunities for additional cost savings.

In 2005, 2006 and 2007, we spent approximately $0.2 million, $1.0 million and $3.0 million, respectively, on research and development, consisting of development of ETM and related technologies.

We further leverage our technology platform by enabling low cost and scaleable workforces to work remotely, thereby lowering our operating costs and increasing our margins. As of December 31, 2007, we had a 26-person workforce in India through our build, operate, transfer (BOT) arrangements, and expect that number to grow proportionally with our business. Our workforce in India helps populate our carrier database with pricing and capacity information, and also performs back office administrative functions, including document processing, data entry, accounting, auditing and track and trace. Our ability to effectively utilize offshore labor enables us to pass on cost savings to our clients and serves as another competitive advantage. We intend to continue to invest in and train our workforce in India or other low cost labor centers to optimize the performance and effectiveness of our operations.

Our IT infrastructure provides a high level of security for our proprietary software and database. The storage system for our proprietary data is designed to ensure that power and hardware failures do not result in the loss of critical data. The proprietary data is protected from unauthorized access

through a combination of physical and logical security measures, including firewalls, encryption, antivirus software, anti-spy software, passwords and physical security, with access limited to authorized IT personnel. In addition to our security infrastructure, our system is backed up daily to prevent the loss of our proprietary data due to catastrophic failures or natural disasters.

Our Services

We are a non-asset-based provider of technology enabled transportation and logistics services, meaning we do not own the transportation equipment used to transport our clients' freight or warehouse our clients' inventory. We believe this allows us to be flexible and seek shipping alternatives that are tailored to the specific needs of our clients, rather than the deployment of particular assets. Through our carrier network, we provide transportation services using a variety of modes of transportation.

Transportation Services

Truckload (TL). We provide TL services across all TL segments, including dry vans, temperature-controlled units and flatbeds. Using our LaneIQ technology, we provide advanced dispatch, communication and data collection tools that enable our dedicated TL team to quickly disseminate critical pricing and capacity information to our clients on a real-time basis.

Less than Truckload (LTL). We provide LTL services involving the shipment of single or multiple pallets of freight. Using our RateIQ technology, we obtain real-time pricing and transit time information for every LTL shipment from our database of LTL carriers.

Small Parcel. We provide small parcel services for packages of all sizes. Using our EchoPak technology, we are often able to deliver cost saving opportunities to our clients that spend over $500,000 annually to ship with major small parcel carriers.

Inter-Modal. Inter-modal transportation is the shipping of freight by multiple modes, typically using a container that is transferred between ships, railcars or trucks. We offer inter-modal transportation services for our clients that utilize both trucks and rail. Using our ETM technology, our dedicated inter-modal team can select, on a timely basis, the most advantageous combination of trucks and rail to meet our clients' individual shipping demands and pricing expectations.

Domestic Air and Expedited Services. We provide domestic air and expedited shipment services for our clients when traditional LTL services do not meet delivery requirements. We use ETM track and trace tools to ensure that up to date information is available to our clients via EchoTrak.

International. We provide air and ocean transportation services for our clients, offering a comprehensive international delivery option to our clients. Using ETM, our dedicated teams can consolidate shipments, coordinate routing, local pick-up and delivery methods and prearrange customs clearance to minimize the time and economic burdens associated with international transportation.

Logistics Services

In addition to arranging for transportation, we provide logistics services, either on-site (in the case of some enterprise clients) or off-site, to manage the flow of those goods from origin to destination. Our core logistics services include:

- rate negotiation;
- procurement of transportation, both contractually and in the spot market;
- shipment execution and tracking;

- carrier management, reporting and compliance;
- executive dashboard presentations and detailed shipment reports;
- freight bill audit and payment;
- claims processing and service refund management;
- design and management of inbound client freight programs;
- individually configured web portals and self-service data warehouses;
- ERP integration with transactional shipment data; and
- integration of shipping applications into client e-commerce sites.

We believe that direct access to our web-based applications, process expertise and analytical capabilities is a critical component of our offering, and we provide our logistics services to our clients as part of our value proposition.

Our Clients

We provide transportation and logistics services to corporate clients across a wide range of industries, such as manufacturing, construction and consumer products. In 2007, we served over 4,600 clients using approximately 3,900 different carriers and, from our inception through December 31, 2007, we served over 6,500 clients using approximately 6,800 different carriers. Our clients fall into two categories: enterprise and transactional.

Enterprise Clients

We enter into multi-year contracts with our enterprise clients, typically with terms of one to three years, to provide some, or substantially all, of their transportation requirements. Each new enterprise client is assigned one or more dedicated account executives, who are able to work on-site or off-site, as required by the client. To foster a strategic relationship with these clients, we typically agree to a negotiated level of cost savings compared to the client's historical shipping expenditures over a fixed period of time. Cost savings are estimated periodically during the term of our engagement and if the negotiated amount is not achieved, our clients may have the right to terminate our engagement.

As of March 31, 2008, one of our 65 enterprise contracts obligated us to make payments to the client in the event we fail to deliver a 10% cost savings to the client based on its historical shipping expenditures over a fixed period of time. The amount of our business potentially subject to these cost savings payments varies depending upon the number of shipments that we make on behalf of this client and the mode of transportation used, as well as general economic conditions in the transportation industry. Revenue from this client accounted for less than 1% of our revenue in 2007. We have not been obligated to make payments to any clients due to the inability to achieve our negotiated amount of cost savings.

Our enterprise contracts are often on an exclusive basis for a certain transportation mode or point of origin and may apply to a single mode, such as LTL, several modes or all transportation modes used by the client. These contractual exclusivity provisions help ensure, but do not guarantee, that we receive a significant portion of the amount that our enterprise clients spend on transportation in the applicable mode or modes or from the applicable point of origin. In our experience, compliance with such provisions varies from client to client and over time. Reasons compliance may vary include the widely-dispersed nature of transportation decision-making in some clients' organizations and the learning process involved in implementing our services. We work with and expect our enterprise clients to maintain and improve compliance with any applicable exclusivity provisions.

We also provide small parcel consulting services to a limited number of our enterprise clients, which is included in our fee for service revenue. Under these arrangements, we review the client's small parcel shipping contracts and shipment data analyzing their volumes, distribution, rates and savings opportunities, prepare negotiation strategies and directly or indirectly participate in negotiations with carriers to improve the client's rates, charges, services and commitments. For these services, we typically earn a percentage of any savings realized by the client over a fixed period of time, which is recorded on our books on a net basis as fee-for-service revenue.

Our annual revenue from individual enterprise clients typically ranges from $100,000 to $10.0 million. Our revenue from all enterprise clients increased in the last two years, from $3.3 million in 2005, to $26.1 million in 2006 and to $53.2 million in 2007. Our revenue from enterprise clients as a percentage of total revenue was 45% in 2005, 78% in 2006 and 56% in 2007.

Transactional Clients

We provide transportation and logistics services to our transactional clients on a shipment-by-shipment basis, which are typically priced to our carriers on a spot, or transactional, basis. Our annual revenue from individual transactional clients typically ranges from $1,000 to $50,000. Of our 50 largest transactional clients in 2006, 42 placed orders with us during 2007, which we believe demonstrates our ability to meet a variety of transportation requirements on a recurring basis. We estimate that total annual transportation expenditures for our 4,566 transactional clients during the year ended December 31, 2007 were in excess of $650 million.

Our Carrier Network

Our carrier network provides our clients with substantial breadth and depth of offerings within each mode. As of December 31, 2007, our network included over 16,000 TL carriers and 50 LTL carriers and six small parcel carriers, 18 inter-modal carriers, 12 domestic air carriers and 10 international carriers. Our ability to attract new carriers to our network and maintain good relationships with our current carriers is critical to the success of our business. We rely on our carriers to provide the physical transportation services for our clients, valuable pricing information for our proprietary database and tracking information throughout the shipping process from origin to destination. We believe we provide value to our carriers by enabling them to fill excess capacity on traditionally empty routes, repositioning their equipment and therefore offsetting their substantial overhead costs to generate incremental revenue. In addition, we introduce many of our clients to new carriers and broaden each carrier's market presence by expanding its sales channels to a larger customer base.

We select carriers based on their ability to effectively serve our clients with respect to price, technology capabilities, geographic coverage and quality of service. In the small parcel mode, we use nationally recognized carriers, such as FedEx and UPS. In other transportation modes, we maintain the quality of our carrier network by obtaining documentation to ensure each carrier is properly licensed and insured, and has an adequate safety rating. In addition, we continuously collect information on the carriers in our network regarding capacity, pricing trends, reliability, quality control standards and overall customer service. We believe this quality control program helps to ensure that our clients receive high-quality service regardless of the carrier that is selected for an individual shipment. In 2007, we had used approximately 3,900 of the over 16,000 carriers in our network to provide shipping services to our clients.

The carriers in our network are of all sizes, including large national trucking companies, mid-sized fleets, small fleets and owner-operators of single trucks. We are not dependent on any one carrier, and our largest carriers by TL, LTL and small parcel accounted for less than 1%, 11% and 10%, respectively, of our total transportation costs across all modes in 2007. Approximately 10% of our LTL

and 54% of our TL shipments in 2007 were transported by carriers with less than 100 trucks. For international shipments, we currently rely on one carrier to provide substantially all of our transportation. We consider our relationship with this carrier to be good. In 2006 and 2007, international shipments accounted for 0% and 3% of our revenue, respectively.

Sales and Marketing

We market and sell our transportation and logistics services through our sales personnel located in four cities across the United States. As of December 31, 2007, our sales team consisted of six enterprise sales representatives, 112 transactional sales representatives and 73 agents. Our enterprise sales representatives typically have significant sales expertise and are focused on building relationships with clients' senior management teams to execute enterprise contracts. Our transactional sales representatives, located largely at our outbound call center in Chicago, are focused on building new transactional client relationships and migrating transactional accounts to enterprise accounts. Our agents, located in regional shipping markets throughout the United States, are typically experienced industry sales professionals focused on building relationships with our clients' transportation managers. We support our sales team with account executives. These individuals are generally responsible for customer service, developing relationships with client personnel and managing the shipping process from origin to destination.

Our marketing efforts typically involve up to a six month selling cycle to secure a new enterprise client. Our efforts may begin in response to a perceived opportunity, a referral by an existing client, a request for proposal, a relationship between a member of our sales team and a potential client, new client prospects gained through acquisitions, an introduction by someone affiliated with our company, or otherwise. Our senior management team, sales representatives and agents are responsible for the sales process. An important aspect of this sales process is our analysis of a prospective client's historic transportation expenditures to demonstrate the potential savings that could be achieved by using our transportation and logistics services. We also try to foster relationships between our senior management team and our clients' senior management, and many of our enterprise clients were secured by marketing our services to "C-level" management contacts. These relationships ensure that both parties are focused on seamless process integration and using our services to provide tangible cost savings.

As we become more knowledgeable about a client's business and processes, our ability to identify opportunities to create value for the client typically increases, and we focus on trying to expand the services we provide to our existing enterprise and transactional clients. As a relationship with a client grows, the time requirement to win an engagement for additional services typically declines and we are able to recognize revenue from our sales efforts more quickly. Historically, many of our clients have been more willing to turn over more of their transportation and logistics requirements to us as we demonstrate our capabilities. In 2007, 66% of our enterprise clients increased their business with us by more than 10%, and 32% of our transactional clients increased their business with us by more than 10%.

Each new enterprise client is assigned one or more dedicated account executives, who are able to work on-site or off-site, as required by the client. Our dedicated account executives integrate the client's existing business processes with our proprietary technology platform to satisfy the client's transportation requirements, and assist our sales representatives and agents in targeting potential deficiencies in the client's operations that could lead to expanded service offerings. Because the account executives we hire generally have significant sales experience, they can also begin marketing our services after limited training on our model and systems. Our agreements with our account executives require them to market and sell our transportation and logistics services on an exclusive basis and contain non-compete and non-solicitation provisions that apply during and for a specified period after the term of their service.

Our transactional sales representatives, who focus on sales of our transportation and logistics services on a shipment-by-shipment basis, concentrate on building relationships with our transactional clients that could benefit from the cost savings and enhanced service associated with our services. Our ability to work with clients on a transactional basis provides us with an opportunity to demonstrate the cost savings associated with our technology-driven services before the client considers moving to a fully-outsourced enterprise engagement. Since our inception in January 2005, 10 transactional clients have migrated to an enterprise engagement.

Our sales team is critical to the success of our business and our ability to grow will depend on our ability to continue to attract, train and retain talented individuals. Candidates are recruited through search firms, Internet postings, advertisements in industry publications, industry event attendance, referrals and word-of-mouth networking. To attract these candidates, we will continue to offer attractive commission structures and highlight the advantages that our ETM technology platform provides in winning and maintaining new clients. We believe our business model provides us with a competitive advantage in recruiting sales representatives because it enables them to use our enhanced analytics technology and carrier network to market a broader range of services at prices that are typically lower than those offered by our competitors. Our services can be offered at no upfront cost and our clients are generally able to immediately realize tangible cost savings.

We had 24 sales representatives and agents as of December 31, 2005, 57 as of December 31, 2006 and 191 as of December 31, 2007. We intend to continue to hire sales representatives and agents with established client relationships that we believe can be developed into new revenue opportunities. We also expect to augment our sales force through selective acquisitions of transportation and logistics service providers with experienced sales representatives and agents in strategic geographical locations.

Competition

The commercial freight transportation services and BPO industries in which we operate are highly competitive and fragmented. We have a number of competitors offering services similar to ours, which include:

- internal shipping departments at companies that have substantial transportation requirements, many of which represent potential sales opportunities;
- non-asset-based logistics companies, such as C.H. Robinson Worldwide, Freightquote.com, Ozburn-Hessey Logistics, Total Quality Logistics and Transplace, with whom we compete most often;
- asset-based logistics companies, such as Ryder, Schneider, UPS, FedEx and JB Hunt;
- carriers that offer logistics services, such as Roadway, Yellow and USF, some of whom we frequently purchase transportation services from on behalf of our clients;
- freight forwarders that dispatch shipments via asset-based carriers, typically arranging for shipments to or from international destinations, such as Expeditors International; and
- smaller, niche service providers that provide services in a specific geographic market, industry segment or service area.

We believe the principal elements of competition in transportation and logistics services are price, customer service and reliability. Some of our competitors, such as C.H. Robinson Worldwide, have larger client bases and significantly more resources than we do. In addition, some of our competitors may have more expertise in a single transportation mode that allows them to prepare and process documentation and perform related activities pertaining to that mode of transportation more efficiently than Echo. We compete against these entities by establishing ourselves as a leading technology enabled

service provider with industry expertise in all major modes of transportation, which enables us to respond rapidly to the evolving needs of our clients related to outsourcing transportation.

Our clients may choose not to outsource their transportation business to us in the future by performing formerly outsourced services for themselves, either in-house or through offshore partnerships or other arrangements. We believe our key advantage over in-house business processes is that ETM gives us the ability to obtain favorable pricing and terms relative to in-house service departments. In addition, we believe we give companies the opportunity to focus on their core products and services while we focus on service, delivery and operational excellence.

We also face competition from some of the larger BPO services companies, such as IBM or Accenture, because they offer transportation procurement and logistics services to their clients. Their well-established client relationships, BPO industry knowledge, brand recognition, financial and marketing capabilities, technical resources and pricing flexibility may provide them with a competitive advantage over us. These companies may include BPO service companies based in offshore locations, BPO divisions of large IT service companies and global BPO services companies located in the United States or offshore.

Intellectual Property

We rely primarily on a combination of copyright, trademark and trade secret laws, as well as license agreements and other contractual provisions, to protect our intellectual property rights and other proprietary rights. To date, we have not registered any patents nor trademarks. Some of our intellectual property rights relate to proprietary business process enhancements. It is our practice to enter into confidentiality and invention assignment agreements with all of our employees and independent contractors that:

- include a confidentiality undertaking by the employee or independent contractor;

- ensure that all new intellectual property developed in the course of our relationship with employees or independent contractors is assigned to us; and

- require the employee or independent contractor to cooperate with us to protect our intellectual property during and after his or her relationship with us.

Government Regulation

Subject to applicable federal and state regulation, we may arrange for the transport of most types of freight to and from any point in the United States. Certain of our U.S. domestic ground transportation operations may be subject to regulation by the Federal Motor Carrier Safety Administration (the FMCSA), which is an agency of the U.S. Department of Transportation, and by various state agencies. The FMCSA has broad regulatory powers in areas such as safety and insurance relating to interstate motor carrier and broker operations. The ground transportation industry is also subject to possible regulatory and legislative changes (such as the possibility of more stringent environmental, safety or security regulations or limits on vehicle weight and size) that could affect the economics of the industry by requiring changes in operating practices or the cost of providing transportation services.

Our international operations are impacted by a wide variety of U.S. government regulations. These include regulations of the U.S. Department of State, U.S. Department of Commerce and the U.S. Department of Treasury. 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 whom we may conduct business.

Our air freight business in the United States is subject to regulation as an indirect air carrier by the Transportation Security Administration (the TSA) and the Department of Transportation. We are in the process of having our indirect air carrier security program approved by the TSA as required by the applicable regulations. We are also in the process of having our directors and officers complete the Security Threat Assessments required by TSA regulations. The airfreight industry is subject to regulatory and legislative changes that could affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and the costs of providing, services to clients.

Our ocean transportation business in the United States is subject to regulation by the Federal Maritime Commission (the FMC). The FMC licenses persons acting as ocean transportation intermediaries, including ocean freight forwarders and non-vessel operating common carrier operators. Ocean freight forwarders are subject to surety bond requirements and required to retain a "qualified individual" as an officer of the company. Non-vessel operating common carriers are subject to FMC tariff publication requirements, and must submit for review and public notice certain shipping agreements reached with clients. Ocean freight forwarders are also subject to regulatory oversight, particularly those terms proscribing rebating practices. The FMC provides a forum for persons to challenge actions or practices of ocean transportation intermediaries through private actions. We have applied for authority to act as an ocean freight forwarder and as a non-vessel operating common carrier. These applications have received initial approval from FMC and we expect such applications for authority to become final upon the completion of certain compliance requirements.

Our import and export business in the United States is subject to U.S. Customs regulations imposed by U.S. Customs and Border Protection (the CBP). These regulations include significant notice and registration requirements. While not technically a regulatory requirement, participation in CBP's "Customs-Trade Partnership against Terrorism" (C-TPAT) program will be commercially necessary as we expand our international transportation business. Under C-TPAT, a transportation entity must maintain an effective transportation security program and cooperate with CPB initiatives and guidance. Participation in C-TPAT permits more efficient and expedited processing of shipments through U.S. Customs. We are currently providing customs broker services through contracts with licensed customs brokers. We are in the process of obtaining a license as customs broker, which we expect to complete in 2009.

We are subject to a broad range of foreign and domestic environmental and workplace health and safety requirements, including those governing discharges to air and water and the handling, disposal and release of hazardous substances and wastes. In the course of our operations, we may be asked to store, transport or arrange for the storage or transportation of substances that could result in liability under applicable laws if released into the environment. If a release of hazardous substances occurs while being transported by our subcontracted carrier, we may be required to participate in, or may have liability for response costs and the remediation of such a release. In such case, we also may be subject to claims for personal injury, property damage and damage to natural resources. Our exposure to and potential liability for these claims may be managed through agreements with our customers and suppliers.

The transportation industry is one of the largest sources of man made greenhouse gas emissions that contribute to global warming. National and transnational laws and initiatives to reduce and mitigate the effects of such emissions, such as the Kyoto Protocols and current laws and legislative initiatives in the European Union and the U.S. could significantly impact transportation modes and the economics of the transportation industry. Future environmental laws in this area could adversely affect our carriers' costs and practices and our business.

Although our current operations have not been significantly affected by compliance with, or liability arising under, these environmental, health and safety laws, we cannot predict what impact future environmental, health and safety regulations might have on our business.

Transportation-related regulations are greatly affected by U.S. national security legislation and related regulatory initiatives, and remain in a state of flux. We believe that we are in substantial compliance with applicable material regulations and that the costs of regulatory compliance have not had a material adverse impact on our operations to date. However, our failure to comply with the applicable regulations or to maintain required permits or licenses could result in substantial fines or revocation of our operating permits or licenses. We cannot predict the degree or cost of future regulations on our business. If we fail to comply with applicable governmental regulations, we could be subject to substantial fines or revocation of our permits and licenses.

Risk Management and Insurance

If a shipment is damaged during the delivery process, our client files a claim for the damaged shipment with us and we bear the risk of recovering the claim amount from the carrier. If we are unable to recover all or any portion of the claim amount from our carrier, we may bear the financial loss. We mitigate this risk by using our quality program to carefully select carriers with adequate insurance, quality control procedures and safety ratings. We also take steps to ensure that the coverage we provide to our clients for damaged shipments is substantially similar to the coverage that our carriers provide to us. In addition, we carry our own insurance to protect against client claims for damaged shipments.

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

We require all motor carriers we work with to carry at least $1.0 million in auto and general liability insurance and $100,000 in cargo insurance. We also maintain a broad cargo liability insurance policy to protect us against catastrophic losses that may not be recovered from the responsible carrier, and carry various liability insurance policies, including auto and general liability. Our collective insurance policies have a cap of $5.0 million.

Properties

Our principal executive offices are located in Chicago, Illinois. We also maintain sales offices in Los Angeles, California, Vancouver, Washington and Park City, Utah. We believe that our facilities are generally suitable to meet our needs for the foreseeable future; however, we will continue to seek additional space as needed to satisfy our growth.

Employees

As of December 31, 2007, we had 245 employees, consisting of six enterprise sales representatives, 112 transactional sales representatives, 62 account executives, 24 technology personnel and 41 administrative personnel. We also had 99 independent contractors, including 73 sales agents. Of our 99 independent contractors, 26 are based at our build, operate, transfer (BOT) facilities in Pune and Kolkata, India. We consider our employee relations to be good.

Legal Proceedings

We are not a party to any material pending legal proceedings.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information concerning each of our executive officers and directors:

Name	Age	Position(s)
Samuel K. Skinner(1)(2)(3)	70	Chairman of the Board
Douglas R. Waggoner	49	Chief Executive Officer and Director
Orazio Buzza	36	Chief Operating Officer
David B. Menzel	46	Chief Financial Officer
Vipon Sandhir	36	Executive Vice President of Sales
David C. Rowe	42	Chief Technology Officer
John R. Walter(1)(3)	61	Director
Louis B. Susman(3)	70	Director
John F. Sandner(1)	66	Director
Harry R. Weller(2)(3)	38	Director
Anthony R. Bobulinski(2)	35	Director
Eric P. Lefkofsky(2)(3)	38	Director
Bradley A. Keywell	38	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating and corporate governance committee.

Samuel K. Skinner first joined our Board in September 2006 and has served as our non-executive Chairman of the Board since February 2007. Since May 2004, Mr. Skinner has been of counsel at the law firm Greenberg Traurig, LLP where he is the Chair of the Chicago Governmental Affairs Practice. Mr. Skinner served as Chairman, President and Chief Executive Officer of USF Corporation from July 2000 to May 2003, and from 1993 to 1998 he served as President of Commonwealth Edison Company and its holding company Unicom Corporation. Mr. Skinner served as the Chief of Staff to President George H.W. Bush from December 1991 to August 1992, and from 1989 to 1991, he served as the Secretary of Transportation. In 1975, he was appointed by President Gerald R. Ford as the United States Attorney for the Northern District of Illinois. Mr. Skinner is currently a director of Navigant Consulting, Inc., Diamond Management & Technology Consultants, Inc. and Express Scripts, Inc. and is the Vice Chairman of Virgin America Airlines. Mr. Skinner holds a Bachelor of Science degree from the University of Illinois and a Juris Doctor from DePaul University College of Law.

Douglas R. Waggoner has served as our Chief Executive Officer since December 2006 and on our Board since February 2008. Mr. Waggoner will serve as our Chief Executive Officer until January 1, 2011, unless such term is otherwise terminated or renewed, pursuant to the terms of his employment agreement. Mr. Waggoner was elected to the board pursuant to voting rights granted to the holders of our Series B preferred stock under our voting agreement, which will be terminated upon the closing of this offering. Prior to joining our Company, Mr. Waggoner founded SelecTrans, LLC, a freight management software provider based in Chicago, Illinois. From April 2004 to December

2005,

Mr. Waggoner served as the Chief Executive Officer of USF Bestway, and from January 2002 to April 2004, he served as the Senior Vice President of Strategic Marketing for USF Corporation. Mr. Waggoner served as the President and Chief Operating Officer of Daylight Transport from April 1999 to January 2002, Executive Vice President from October 1998 to April 1999, and Chief Information Officer from January 1998 to October 1998. From 1986 to 1998, Mr. Waggoner held a variety of positions in sales, operations, marketing and engineering at Yellow Transportation before eventually leaving the company as the Vice President of Customer Service. Mr. Waggoner holds a bachelor's degree in Economics from San Diego State University.

Orazio Buzza has served as our Chief Operating Officer since July 2007. Mr. Buzza will serve as our Chief Operating Officer until January 1, 2011, unless such term is otherwise terminated or renewed, pursuant to the terms of his employment agreement. Mr. Buzza served as our President and Chief Technology Officer from May 2005 to July 2007. From October 2003 to May 2005, Mr. Buzza served as the Chief Financial Officer and Chief Operating Officer of InnerWorkings, Inc., a Nasdaq listed provider of print procurement services to corporate clients in the United States. From July 2001 to September 2003, Mr. Buzza was Vice President of Finance & Operations at Bus Bank, a charter bus service company. Mr. Buzza has a bachelor's degree in Accounting and Supply Chain Management from the University of Illinois. Mr. Buzza also received his Certified Public Accountant certification in 1994.

David B. Menzel has served as our Chief Financial Officer since April 2008. Mr. Menzel will serve as our Chief Financial Officer until April 7, 2013, unless such term is otherwise terminated or renewed, pursuant to the terms of his employment agreement. From May 2005 to March 2008, Mr. Menzel was the Chief Financial and Operating Officer of G2 SwitchWorks Corp., a travel technology company. From 2003 to 2005, Mr. Menzel served as a managing director of Parson Consulting, a management consulting firm. Mr. Menzel served as the Chief Executive Officer of YesMail, Inc. from 2000 to 2003, and as the Senior Vice President and Chief Financial Officer from 1999 to 2000. Mr. Menzel was also the Chief Financial Officer of Campbell Software from 1994 to 1999, and worked in the Audit and Financial Consulting Practice of Arthur Anderson LLP from 1985 to 1994. Mr. Menzel holds a bachelor's degree in accounting and a Masters of Accountancy from Florida State University.

Vipon Sandhir has served as our Executive Vice President of Sales since August 2005. Mr. Sandhir will serve as our Executive Vice President of Sales until January 1, 2011, unless such term is otherwise terminated or renewed, pursuant to the terms of his employment agreement. Since 2002, Mr. Sandhir has been a partner at Alliance Management, LLC, a real estate management company. From July 2004 to July 2005, Mr. Sandhir was the President of P-Elevated Corporation, an IT outsourcing firm utilizing offshore development resources. From November 2000 to July 2004, Mr. Sandhir was the co-founder and Chief Operating Officer of Global Charter Services. Mr. Sandhir has a bachelor's degree in Business from Northern Illinois University.

David C. Rowe has been our Chief Technology Officer since September 2007. Mr. Rowe will serve as our Chief Technology Officer until January 1, 2011, unless such term is otherwise terminated or renewed, pursuant to the terms of his employment agreement. From January 2005 to September 2007, Mr. Rowe was the Chief Information Officer at UGL-Equis Corporation. From October 2003 to January 2005, Mr. Rowe was a Managing Principal with EMC. Between April 2001 and October 2003, Mr. Rowe worked as a technology consultant. From March 1997 to April 2002, Mr. Rowe was the Vice President of Information Technology at USweb Cornerstone. Mr. Rowe is a graduate of City and East London College with a degree in Computer Science.

John R. Walter has served on our Board since January 2006. Mr. Walter is the managing member of Ashlin Management Company. He is the retired President and COO of AT&T Corporation, a position he held from 1996 to 1997. He was Chairman and CEO of R.R. Donnelley & Sons Company, the largest printer in the United States, from 1989 through 1996. Mr. Walter has been a director of

Manpower Inc. since 1998, and served as Non-Executive Chairman from 1999 to 2001. He is currently the Chairman of SNP Corporation Ltd. of Singapore, the Chairman of InnerWorkings, Inc., and a director for VASCO Data Security, Infinity Bio-Energy, Manpower, Inc., MediaBank, LLC, DHR International and Evanston Northwestern Healthcare. Mr. Walter previously served on the board of directors of Abbott Laboratories, John Deere, Target Corporation and Jones Lang LaSalle. He is also a member of the board of trustees for the Steppenwolf Theater and Northwestern University, and a director of the African Wildlife Federation. Mr. Walter holds a bachelor's degree and an honorary doctorate degree in Business Administration from Miami University, Ohio.

Louis B. Susman has served on our Board since June 2006. Mr. Susman is Vice Chairman of Citigroup Corporate and Investment Banking, a member of the Citigroup International Advisory Board and Managing Director, Vice Chairman of Investment Banking, Citigroup. Mr. Susman joined Salomon Brothers Inc., prior to its acquisition by Citigroup, in July 1989. Prior to that he was a Senior Partner at the St. Louis-based law firm of Thomas & Mitchell. Mr. Susman is a director of Drury Industries, Inc. and Drury Development Corporation and a trustee of Underwriters Laboratories and previously served on the board of directors of the St. Louis National Baseball Club, Inc. Mr. Susman is a member of the board of directors of The Art Institute of Chicago, The Lyric Opera of Chicago and The Northwestern Children's Memorial Hospital. Mr. Susman holds a bachelor's degree from the University of Michigan and a Bachelor of Laws (L.L.B.) from Washington University.

John F. Sandner has served on our Board since April 2008. Mr. Sandner is the Chairman of E*Trade Futures, LLC, a position he has held since 2003. From 1985 to 2003, Mr. Sandner served as President and Chief Executive Officer of RB&H Financial Services, L.P., where he is currently a consultant. Mr. Sandner is also the retired Chairman of the Chicago Mercantile Exchange (CME) and served as its Special Policy Advisor from 1998 to 2005. Mr. Sandner is currently a director of CME Holdings, Inc., Click Commerce, Inc., the National Futures Association, the Lyric Opera of Chicago and the Museum of Science and Industry, and a Trustee at the University of Notre Dame and Rush-Presbyterian-St. Luke's Medical Center. Mr. Sandner holds a bachelor's degree from Southern Illinois University and a Juris Doctorate from the University of Notre Dame.

Harry R. Weller has served on our Board since June 2006. Mr. Weller was elected pursuant to voting rights granted to the holders of our Series D preferred stock under our voting agreement, which will be terminated upon the closing of this offering. Since January 2002, Mr. Weller has been a Partner at New Enterprise Associates. Prior to joining NEA, Mr. Weller was a Partner at FBR Technology Venture Partners. Mr. Weller is a former member of the board of directors of Sourcefire, Inc. and Vonage Holdings Corp. and a current member of the board of directors of Availink, Inc., Suniva, Inc., Informance, Leadtone, Lian Lian, and Realtime Worlds. Mr. Weller holds a bachelor's degree from Duke University and a Masters in Business Administration from Harvard University.

Anthony R. Bobulinski has served on our Board since August 2005. Mr. Bobulinski was elected pursuant to voting rights granted to the holders of our Series D preferred stock under our voting agreement, which will be terminated upon the closing of this offering. Mr. Bobulinski has been the Director of Investments at YDS Investment Company, LLC. Since April 2003, Mr. Bobulinski serves on the advisory board of the Making a Difference Foundation. Mr. Bobulinski holds a bachelor's degree from Pennsylvania State University and a Masters in Science equivalent from the Naval Nuclear Power School where he was a Master Training Specialist and Certified Instructor.

Eric P. Lefkofsky has served on our Board since February 2005. Mr. Lefkofsky was elected pursuant to voting rights granted to the holders of our Series B preferred stock under our voting agreement, which will be terminated upon the closing of this offering. In February 2005, Mr. Lefkofsky founded Blue Media, LLC, a private investment firm, and currently serves as its President. From May 2000 to April 2001, Mr. Lefkofsky served as Chief Operating Officer and director of HA-LO Industries Inc. Mr. Lefkofsky co-founded Starbelly.com, Inc., and served as its President from

September 1999 to May 2000, at which point Starbelly was acquired by HA-LO. In July 2001, HA-LO filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. In September 2001, Mr. Lefkofsky co-founded InnerWorkings, Inc., a Nasdaq listed provider of print procurement services to corporate clients in the United States, and served as a director or manager from December 2002 until May 2005. In April 2006, Mr. Lefkofsky co-founded MediaBank, LLC, an electronic exchange and database that automates the procurement and administration of advertising media and has served as a director or manager since that time. Mr. Lefkofsky serves on the board of directors of ThePoint.com, an online activism website. Mr. Lefkofsky also serves on the board of directors of Children's Memorial Hospital, the board of trustees of the Steppenwolf Theatre and the board of governors of the Art Institute of Chicago, and is a member of the Chicago 2016 Olympic Committee. Mr. Lefkofsky holds a bachelor's degree from the University of Michigan and a Juris Doctor degree from the University of Michigan Law School.

Bradley A. Keywell has served on our Board since February 2005. Mr. Keywell was elected pursuant to voting rights granted to the holders of our Series B preferred stock under our voting agreement, which will be terminated upon the closing of this offering. In January 2004, Mr. Keywell founded Meadow Lake Management LLC, an investment and advisory firm, and currently serves as its Managing Partner. Prior to Meadow Lake Management, he worked for Equity Group Investments, LLC. From May 2000 to March 2001, Mr. Keywell served as the President of HA-LO Industries Inc. Mr. Keywell co-founded Starbelly.com Inc., which was acquired by HA-LO in May 2000. In July 2001, HA-LO filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. In April 2006, Mr. Keywell co-founded MediaBank, LLC, an electronic exchange and database that automates the procurement and administration of advertising media. Mr. Keywell serves on the board of trustees of the Zell-Lurie Entrepreneurship Institute at the University of Michigan and as a trustee of the University of Michigan Hillel Foundation. Mr. Keywell holds a bachelor's degree from the University of Michigan and a Juris Doctor degree from the University of Michigan Law School.

Board of Directors

Our Board of Directors consists of nine directors and includes three committees: an audit committee, compensation committee and nominating and corporate governance committee. Each director will be subject to election at each annual meeting of stockholders.

Audit Committee

Our audit committee consists of John R. Walter, Samuel K. Skinner and John F. Sandner. Mr. Sandner serves as the chairman of our audit committee. The audit committee will review and recommend to the Board internal accounting and financial controls and accounting principles and auditing practices to be employed in the preparation and review of our financial statements. In addition, the audit committee will have the authority to engage public accountants to audit our annual financial statements and determine the scope of the audit to be undertaken by such accountants. Mr. Skinner is our audit committee financial expert under the SEC rule implementing Section 407 of the Sarbanes-Oxley Act of 2002.

Compensation Committee

Our compensation committee consists of Harry R. Weller, Anthony R. Bobulinski, Eric P. Lefkofsky and Samuel K. Skinner. Mr. Weller serves as the chairman of our compensation committee. The compensation committee will review and recommend to our Chief Executive Officer and the Board policies, practices and procedures relating to the compensation of managerial employees and the establishment and administration of certain employee benefit plans for managerial employees. The compensation committee will have the authority to administer our Stock Incentive Plan, and advise and consult with our officers regarding managerial personnel policies.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Samuel K. Skinner, Eric P. Lefkofsky, Louis B. Susman, John R. Walter and Harry R. Weller. Mr. Skinner serves as the chairman of our nominating and corporate governance committee. The nominating and corporate governance committee will assist the Board with its responsibilities regarding:

- the identification of individuals qualified to become directors;
- the selection of the director nominees for the next annual meeting of stockholders; and
- the selection of director candidates to fill any vacancies on the Board.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee serves, or has at any time served, as an officer or employee of us or any of our subsidiaries. None of our executive officers has served as a member of the compensation committee, or other committee serving an equivalent function, of any other entity, one of whose executive officers served as a member of our compensation committee.

Limitation of Liability and Indemnification of Officers and Directors

Our certificate of incorporation will provide that our directors and officers will not be personally liable for monetary damages to us for breaches of their fiduciary duty as directors or officers, except for any breach of their duty of loyalty to us or to our stockholder, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, authorization of illegal dividends or redemptions or any transaction from which they derived an improper personal benefit from their actions. Prior to the completion of this offering, we intend to obtain insurance that insures our directors and officers against specified losses. In addition, our by-laws will provide that our directors, officers and employees shall be indemnified by us to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expense, liability and loss reasonably incurred or suffered by them in connection with their service for us or on our behalf.

In addition, prior to the completion of this offering, we intend to enter into separate indemnification agreements with our directors and executive officers. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. These indemnification agreements may require us to indemnify our directors and executive officers for related expenses, including attorneys' fees, judgments, fines and amounts paid in settlement that were actually and reasonably incurred or suffered by a director or executive officer in an action or proceeding arising out of his or her service as one of our directors or executive officers.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This compensation discussion describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers during 2007. This compensation discussion focuses on the information contained in the following tables and related footnotes for primarily 2007, but we also disclose compensation actions taken before or after 2007 to the extent such disclosure enhances the understanding of our executive compensation disclosure.

Prior to this offering, our Board oversaw and administered our executive compensation program. Going forward, the Compensation Committee will oversee and administer our executive compensation program.

The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives generally in the form of stock options, other benefits and perquisites, post-termination severance and acceleration of stock option vesting for certain named executive officers upon termination and/or a change in control. Our other benefits and perquisites consist of life and health insurance benefits and a qualified 401(k) savings plan and include reimbursement for certain medical insurance and other payments. Our philosophy is to position the aggregate of these elements at a level that is commensurate with our size and sustained performance.

Compensation Program Objectives and Philosophy

In General. The objectives of our compensation programs are to:

- attract, motivate and retain talented and dedicated executive officers,
- provide our executive officers with both cash and equity incentives to further our interests and those of our stockholders, and
- provide employees with long-term incentives so we can retain them and provide stability during periods of rapid growth.

Generally, the compensation of our executive officers is composed of a base salary, an annual incentive compensation award and equity awards in the form of stock options. In setting base salaries, the Board generally reviewed (and going forward the Compensation Committee will review) the individual contributions of the particular executive. The annual incentive compensation award for 2007 was a discretionary award determined by the Board based on Company performance and for 2008 will be based upon our Annual Incentive Plan. In addition, stock options are granted to provide the opportunity for long-term compensation based upon the performance of our common stock over time.

Competitive Market. We define our competitive market for executive talent and investment capital to be the transportation and technology services industries. To date, we have not engaged an outside consultant to assist us in benchmarking executive compensation, but we may choose to do so in the future.

Compensation Process. Prior to this offering, our Board approved the compensation of our named executive officers, including the terms of their employment agreements. Our Board individually negotiated the employment agreements to retain key management and provide stability during a period of rapid growth. Going forward, for each of our named executive officers, the Compensation Committee will review and approve all elements of compensation taking into consideration recommendations from our principal executive officer (for compensation other than his own), as well as competitive market guidance provided at the request of the Compensation Committee.

Regulatory Considerations. We have designed our Annual Incentive Plan so that bonuses paid thereunder (beginning for 2008) will qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). We will consider the size and frequency of any future stock option awards under our long-term equity incentive program based on Company and individual performance and other market factors.

Base Salaries

In General. We provide the opportunity for our named executive officers and other executives to earn a competitive annual base salary. A minimum base salary is provided for each named executive officer in their employment agreements. The Compensation Committee reviews base salaries annually and adjusts base salaries in accordance with its compensation philosophy. The Compensation Committee strives to set executive officer base salaries at levels competitive with those provided to executives with similar responsibilities in businesses comparable to ours. In determining base salaries of our executive officers, the Compensation Committee considers the performance of each executive, the nature of his or her responsibilities and the Company's general compensation practices. Except as noted, the table below shows our named executive officers' base salary increases in 2007, which became effective by November 1, 2007:

Name and Principal Position	Base Salary as of January 1, 2007	Base Salary as of November 1, 2007	Percent Increase
Douglas R. Waggoner Chief Executive Officer	$ 200,000	$ 300,000	50%
David B. Menzel Chief Financial Officer	n/a	$ 260,000*	n/a
Scott P. Pettit Former Chief Financial Officer	n/a	$ 200,000**	n/a
Orazio Buzza Chief Operating Officer	$ 220,000	$ 255,000	15.9%
David C. Rowe Chief Technology Officer	n/a	$ 225,000***	n/a
Vipon Sandhir Executive Vice President of Sales	$ 185,000	$ 240,000	29.7%
Andrew Arquette Former Vice President of Finance	$ 190,000	$ 200,000	5.3%

* Base salary as of April 7, 2008 start date. For more information related to Mr. Menzel's employment agreement, see " 2008 Compensation Actions" below.

** Base salary as of December 27, 2007 start date. For more information related to Mr. Pettit's employment, see " 2008 Compensation Actions" below.

*** Base salary as of September 17, 2007 start date.

The salaries of Messrs. Waggoner, Buzza, Sandhir and Arquette were increased to reflect their respective levels of duties and responsibilities and for their positive contributions to the Company.

Total Compensation Comparison. For 2007, base salaries accounted for approximately 64.0% of total compensation for our Chief Executive Officer and 70.9% on average for our other named executive officers.

Annual Cash Incentives

Determination of Awards. We provide the opportunity for our named executive officers and other executives to earn an annual cash incentive award. In determining final bonus amounts for 2007, the Board did not follow a set formula or measure performance against pre-established targets, but rather granted discretionary bonuses, taking into account the general performance of each executive, the nature of his responsibilities, the generally positive revenue, gross profit and EBITDA performance of the Company, and the completion of the SelecTrans, Mountain Logistics and Bestway Solutions acquisitions in 2007. Based on those factors, the Company awarded Messrs. Waggoner, Buzza and Sandhir $30,000 each and Mr. Arquette $10,000. Mr. Sandhir also received a $17,188 guaranteed bonus pursuant to a prior bonus agreement. Mr. Rowe received a $25,000 cash award when he started with the Company.

Annual cash incentive awards for 2006 and 2007 for the named executive officers are summarized in the table below.

Cash Bonuses

	2006	2007
Douglas R. Waggoner		$ 30,000
Scott P. Pettit		
Orazio Buzza	$ 30,000	$ 30,000
David C. Rowe		$ 25,000
Vipon Sandhir	$ 25,000	$ 47,188
Andrew Arquette	$ 12,500	$ 10,000

The Annual Incentive Plan will apply to annual incentive bonuses for performance beginning in 2008. The Annual Incentive Plan provides each executive with an opportunity to earn a bonus award based on the Company's achievement of certain objectively quantifiable and measurable goals and objectives established by the Compensation Committee. For the named executive officers in 2008, the target bonus awards are 30% of the respective officer's base salary, and the maximum bonus awards are 100% of the base salary. Additional special incentives may also be awarded by the Compensation Committee for achievement of specific initiatives outside the ordinary course of the Company's business operations or for extraordinary performance. We plan to review annual cash incentive awards for our named executive officers and other executives annually in January to determine award payments for the last completed fiscal year, as well as to establish award opportunities for the current fiscal year.

Individual Performance Goals. There were no specific individual performance goals for the 2007 incentive awards, but the Board could exercise discretion and take into account individual performance in determining awards.

Discretionary Adjustments. For 2007, the incentive awards were subject to the Board's discretion. Under the Annual Incentive Plan, beginning in 2008, the Compensation Committee may make reasonable adjustments to our overall corporate performance goals and our actual performance results that may cause differences between the numbers used for our performance goals and the numbers reported in our financial statements. These adjustments may exclude all or a portion of both the positive or negative effect of external events that are outside the control of our executives, such as natural disasters, litigation, or regulatory changes in accounting or taxation standards. These adjustments may also exclude all or a portion of both the positive or negative effect of unusual or significant strategic events that are within the control of our executives but that are undertaken with an expectation of improving our long-term financial performance, such as restructurings, acquisitions, or divestitures.

Total Compensation Comparison. For 2007, the annual bonus accounted for 8.6% of total compensation for our Chief Executive Officer and 11.6% on average for our other named executive officers.

Long-term Equity Incentives

In General. We provide the opportunity for our named executive officers and other executives to earn a long-term equity incentive award. We believe that one of the best ways to align the interests of stockholders and executives is by providing those individuals who have substantial responsibility over the management, performance and growth of the Company with an opportunity to have a meaningful ownership position in the Company. For 2007, our long-term equity incentive program consisted of grants of stock options pursuant to the Echo Global Logistics, LLC 2005 Stock Option Plan. We have adopted a 2008 Stock Incentive Plan pursuant to which we may grant equity and other incentive awards to our executive officers and other employees beginning in 2008. We believe that management having strong economic incentives will inspire management to act in the best interest of the Company and its stockholders.

Stock Options. For our named executive officers, our stock option program is based on grants that are individually negotiated in connection with employment agreements and other grants to our executives. We have traditionally used stock options as our main form of equity compensation because stock options provide a relatively straightforward incentive for our executives and result in less immediate dilution of existing stockholders' interests.

Grants of stock options or other equity awards to our named executive officers in 2007 are summarized in the following table:

2007 Grants

Douglas R. Waggoner	10,000
Scott P. Pettit	200,000
Orazio Buzza	10,000*
David C. Rowe	120,000
Vipon Sandhir	10,000
Andrew Arquette	60,000

* Unvested shares purchased by Mr. Buzza for $4.05 per share. For more information, see " Unvested Share Purchases" below.

The options granted to Messrs. Waggoner, Rowe and Sandhir were granted in September 2007 with an exercise price of $4.05 per share based on an internal valuation. We believe this per share value is consistent with the valuation performed in November 2007 of $4.40 per share. The options granted to Mr. Pettit were granted in December 2007 with an exercise price of $4.40 per share. Of the options granted to Mr. Arquette, 50,000 were granted in March 2007 with an exercise price of $1.08 per share, and 10,000 were granted in September 2007 with an exercise price of $4.05 per share, in each case based on an internal valuation.

Messrs. Waggoner, Sandhir and Arquette received an annual grant of 10,000 options (and Mr. Buzza was given the opportunity to purchase 10,000 restricted shares) based on the performance of each executive, the nature of his responsibilities, general company revenue, gross profit and EBITDA performance and the completion of the SelecTrans, Mountain Logistics and Bestway Solutions acquisitions in 2007. Messrs. Rowe and Pettit were granted options when they joined the Company in September 2007 and December 2007, respectively.

As described above, we believe that all grants of stock options to our employees were granted with exercise prices equal to or greater than the fair market value of our common stock on the respective grant dates.

We do not time stock option grants to executives in coordination with the release of material non-public information. Our stock options have a 10-year term. In general, the option grants are also subject to the following post-termination and change in control provisions:

2005 Stock Option Plan

Event	Award Vesting	Exercise Term
Disability or Death	Forfeit Unvested	**Earlier of: (1) Remaining Option Period or (2) Six Months from Date of Termination**
Termination for Reason Other than Disability or Death	Forfeit Unvested	**Earlier of: (1) Remaining Option Period or (2) 30 Days from Date of Termination**

2008 Stock Incentive Plan

Event	Award Vesting	Exercise Term
Termination by Us for Reason Other than Cause, Disability or Death	Forfeit Unvested	**Earlier of: (1) One Year or (2) Remaining Option Period**
Disability or Death	Forfeit Unvested	**Option Period**
Termination for Cause	Forfeit Vested and Unvested	**Expire**
Other Termination	Forfeit Unvested	**Earlier of: (1) Remaining Option Period or (2) 30 Days from Date of Termination**
Change in Control	Accelerated*	*

* The Compensation Committee may provide that, in the event of a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and immediately exercisable. If there is a termination of employment, the applicable termination provisions regarding exercise term will apply.

The vesting of certain of our named executive officers' stock options is accelerated pursuant to the terms of their employment agreements in certain termination and/or change in control events. These terms are more fully described in " Employment Agreements" and " Potential Payments upon Termination or Change in Control."

Unvested Share Purchases. From time to time, we have also offered certain executives the ability to purchase common shares that vest over a period of time and are subject to a right of repurchase by us through a stated period of the executive's continued employment. In 2007, Mr. Buzza purchased 10,000 unvested common shares at $4.05 per share, subject to a right of repurchase by us if Mr. Buzza does not remain employed through December 31, 2008. In addition, in 2006, Mr. Buzza purchased 450,000 unvested common shares at $0.25 per share, subject to a right of repurchase by us at $0.25 per share if Mr. Buzza's employment terminates for any reason other than a Change in Control as follows: if such termination occurred before December 31, 2007, all 450,000 shares would have been subject to repurchase; and if such termination occurs after December 31, 2007 but prior to December 31, 2008, 225,000 shares will be subject to repurchase. In 2006, Mr. Sandhir also purchased 450,000 unvested common shares at $0.25 per share, subject to a right of repurchase by us at $0.25 per share if Mr. Sandhir's employment terminates for any reason other than a Change in Control as follows: if such termination occurred before August 1, 2007, all 450,000 shares would have been subject to repurchase; if such termination occurs after August 1, 2007 but prior to August 1, 2008, 270,000 shares will be

subject to repurchase; and if such termination occurs after August 1, 2008 but prior to August 1, 2009, 90,000 shares will be subject to repurchase.

In addition, from time to time since our inception in January 2005 we have made grants of common shares to certain executives. Under Mr. Buzza's employment agreement dated as of March 1, 2005, he was granted 450,000 common shares, which at the time of the grant had a value of $0.001 per share. Under Mr. Sandhir's employment agreement dated as of March 1, 2005, he was granted 150,000 common shares on August 3, 2005, which at the time of the grant had a value of $0.001 per share.

Total Compensation Comparison. For 2007, long-term equity incentives accounted for approximately 16.5% of total compensation for our Chief Executive Officer and 11.8% on average for our other named executive officers.

Initial Public Offering Grants of Stock Options. Prior to the completion of this offering, we will grant options to purchase shares of our common stock to certain of our named executive officers in the following amounts: Mr. Buzza 90,000; and Mr. Sandhir 90,000. These options will have a term of ten years and an exercise price per share equal to the initial public offering price. These options will vest in three equal installments on January 1, 2009, January 1, 2010 and January 1, 2011.

Additionally, prior to the completion of this offering, we intend to grant options to purchase up to shares of our common stock under our 2008 Stock Incentive Plan to certain employees at an exercise price equal to the initial public offering price. The options will vest ratably over a year period following the completion of this offering.

Assuming the shares being offered pursuant to this prospectus are offered at $ per share, the midpoint of the filing range set forth on the cover of this prospectus, the value of all of the initial public offering grants of stock options, as calculated using the Black-Scholes-Merton option model in accordance with SFAS No. 123(R), will be approximately $ and will be expensed ratably over the vesting periods.

Executive Benefits and Perquisites

In General. We provide the opportunity for our named executive officers and other executives to receive certain perquisites and general health and welfare benefits. We also offer participation in our defined contribution 401(k) plan. We do not match employee contributions under our 401(k) plan. We provide these benefits to provide an additional incentive for our executives and to remain competitive in the general marketplace for executive talent. For 2007, we provided the following personal benefits and perquisites to certain of our named executives officers:

Executive Benefits and Perquisites	Description
Life Insurance Premiums	We pay the premiums for a life insurance policy for Mr. Waggoner, not to exceed $17,500 annually.
Medical Insurance Reimbursement	We provide reimbursement to Messrs. Waggoner, Buzza, Rowe, Sandhir and Arquette for the cost of their medical insurance premium payments.
Car Allowance	We reimburse Mr. Waggoner for the cost of his automobile lease payments in an annual amount of $10,500.

Total Compensation Comparison. For 2007, executive benefits and perquisites accounted for approximately 10.6% of total compensation for our Chief Executive Officer and 5.7% on average for our other named executive officers.

Change in Control and Severance Benefits

In General. We provide the opportunity for certain of our named executive officers to be protected under the severance and change in control provisions contained in their employment agreements. We provide this opportunity to attract and retain an appropriate caliber of talent for the position. Our severance and change in control provisions for the named executive officers are summarized in " Employment Agreements" and " Potential Payments upon Termination or Change in Control." We intend to periodically review the level of the benefits in these agreements. We believe our arrangements are reasonable in light of the fact that cash severance is limited to two years for Mr. Waggoner, one year for Messrs. Pettit and Menzel, six months for Mr. Arquette (only in the event of a change in control) and three months for Messrs. Buzza, Rowe and Sandhir (each at a rate equal to their then current base salary), there is no severance increase with a change in control and there are no "single trigger" benefits upon a change in control other than the vesting of certain of Messrs. Waggoner's, Pettit's and Menzel's option awards and, with respect to Messrs. Buzza and Sandhir, suspension of the Company's right to repurchase their respective stock for a period of two years following a termination.

Incentive Plans

2008 Stock Incentive Plan

We have adopted the Echo Global Logistics, Inc. 2008 Stock Incentive Plan (referred to below as the Stock Incentive Plan), which replaces the Echo Global Logistics, LLC 2005 Stock Option Plan. The principal purpose of the Stock Incentive Plan is to attract, motivate, reward and retain selected employees, consultants and directors through the granting of stock-based compensation awards. The Stock Incentive Plan provides for a variety of awards, including non-qualified stock options, incentive stock options (within the meaning of Section 422 of the Code), stock appreciation rights, restricted stock awards, performance-based awards and other stock-based awards.

Administration. The Stock Incentive Plan is administered by our Compensation Committee. The Compensation Committee may in certain circumstances delegate certain of its duties to one or more of our officers. The Compensation Committee has the power to interpret the Stock Incentive Plan and to adopt rules for the administration, interpretation and application of the plan according to its terms.

Grant of Awards; Shares Available for Awards. Certain employees, consultants and directors are eligible to be granted awards under the plan. The Compensation Committee will determine who will receive awards under the plan, as well as the form of the awards, the number of shares underlying the awards, and the terms and conditions of the awards consistent with the terms of the plan.

The total number of shares of our common stock initially available for issuance or delivery under our Stock Incentive Plan is 1,000,000 shares (plus shares available under our 2005 stock option plan as described below). The number of shares of our common stock issued or reserved pursuant to the Stock Incentive Plan will be adjusted in the discretion of our Board or the Compensation Committee as a result of stock splits, stock dividends and similar changes in our common stock. In addition, shares subject to grant under our prior 2005 stock option plan (including shares under such plan that expire unexercised or are forfeited, terminated, canceled or withheld for income tax withholding) shall be merged and available for issuance under the Stock Incentive Plan, without reducing the aggregate number of shares available for issuance reflected above.

Stock Options. The Stock Incentive Plan permits the Compensation Committee to grant participants incentive stock options, which qualify for special tax treatment in the United States, as well as non-qualified stock options. The compensation committee will establish the duration of each option at the time it is granted, with a maximum duration of ten years from the effective date of the Stock Incentive Plan for incentive stock options, and may also establish vesting and performance requirements that must be met prior to the exercise of options. Stock option grants (other than incentive stock option grants) also may have exercise prices that are less than, equal to or greater than

the fair market value of our common stock on the date of grant. Incentive stock options must have an exercise price that is at least equal to the fair market value of our common stock on the date of grant. Stock option grants may include provisions that permit the option holder to exercise all or part of the holder's vested options, or to satisfy withholding tax liabilities, by tendering shares of our common stock already owned by the option holder for at least six months (or another period consistent with the applicable accounting rules) with a fair market value equal to the exercise price.

Stock Appreciation Rights. The Compensation Committee may also grant stock appreciation rights, which will be exercisable upon the occurrence of certain contingent events. Stock appreciation rights entitle the holder upon exercise to receive an amount in any combination of cash and shares of our common stock (as determined by the Compensation Committee) equal in value to the excess of the fair market value of the shares covered by the stock appreciation right over the exercise price of the right.

Other Equity-Based Awards. In addition to stock options and stock appreciation rights, the Compensation Committee may also grant certain employees, consultants and directors shares of restricted stock, restricted stock units, dividend equivalents, performance-based awards or other stock-based awards, with terms and conditions as the Compensation Committee may, pursuant to the terms of the Stock Incentive Plan, establish. The Stock Incentive Plan also allows awards to be made in conjunction with a participant's election to defer compensation in accordance with the rules of Section 409A of the Code.

Change-in-Control Provisions. In connection with the grant of an award, the Compensation Committee may provide that, in the event of a change in control, any outstanding awards that are unexercisable or otherwise unvested will become fully vested and immediately exercisable.

Amendment and Termination. The Compensation Committee may adopt, amend and waive rules relating to the administration of the Stock Incentive Plan, and amend, suspend or terminate the Stock Incentive Plan, but no amendment will be made that adversely affects in a material manner any rights of the holder of any award without the holder's consent, other than amendments that are necessary to permit the granting of awards in compliance with applicable laws. We have attempted to structure the Stock Incentive Plan so that remuneration attributable to stock options and other awards will not be subject to a deduction limitation contained in Section 162(m) of the Code.

Annual Incentive Plan

We have adopted the Echo Global Logistics, Inc. Annual Incentive Plan (the Annual Incentive Plan) that rewards employees for meeting and exceeding annual performance goals established by the Compensation Committee based on one or more criteria set forth in the Annual Incentive Plan. The Annual Incentive Plan will be used to set bonus targets and pay bonuses beginning in 2008.

Eligibility to participate in the Annual Incentive Plan is limited to substantially all regular full-time and part-time employees. Temporary employees, any independent contractors, and certain other specified classifications are not eligible to participate in the Annual Incentive Plan.

Employees are eligible to receive bonuses based on meeting operational and financial goals that may be stated (a) as goals of the Company, a subsidiary, or a portion thereof, (b) on an absolute basis and/or relative to other companies, or (c) separately for one or more participants or business units. The objective performance goals for the Annual Incentive Plan are established by our Compensation Committee at the beginning of the year. Bonus payouts are determined within a reasonable time after the end of the performance period.

Our Compensation Committee will administer the Annual Incentive Plan and will have the authority to construe, interpret and implement the Annual Incentive Plan and prescribe, amend and rescind rules and regulations relating to the Annual Incentive Plan. The determination of the

Compensation Committee on all matters relating to the Annual Incentive Plan or any award agreement will be final, binding and conclusive. The Annual Incentive Plan may be amended or terminated by the Compensation Committee or our Board. However, the Annual Incentive Plan may not be amended without the prior approval of our stockholders, if such approval is necessary to qualify bonuses as performance-based compensation under Section 162(m) of the Code.

2008 Compensation Actions

Employment Agreement with David B. Menzel

On April 7, 2008, we entered into an employment agreement with our new chief financial officer, David B. Menzel. Mr. Menzel is excluded from the compensation tables because the compensation disclosure contained therein primarily relates to 2007 compensation.

Pursuant to his employment agreement, Mr. Menzel is entitled to an initial base salary of $260,000 per year and an annual performance bonus with a target of 30% of base salary. Mr. Menzel is also entitled to an automobile allowance of $800 per month. In connection with the execution of his employment agreement, Mr. Menzel received options to purchase 165,000 shares of our common stock at an exercise price equal to the fair market value of our common stock on the grant date as determined by our Compensation Committee. The shares acquired upon exercise of the options are subject to a right of first refusal that terminates upon the listing of the Company's stock on a national securities exchange, among other reasons. The options vest as follows: 40,000 shares vested on April 7, 2008 and an additional 25,000 shares each vest on April 7, 2009, April 7, 2010, April 7, 2011, April 7, 2012, and April 7, 2013. In the event of a sale to any third-party of at least 50% of the total then-outstanding shares of the Company for a cash or publicly-traded stock purchase price equal to or greater than the exercise price per share, 50% of Mr. Menzel's unvested options will vest; provided, however, that if an acceleration event occurs after the first two years of the term of the employment agreement, then 75% of Mr. Menzel's unvested options will vest.

Subject to the execution of a general release and waiver, if Mr. Menzel is terminated for any reason other than for cause (as described in the narrative to the Potential Payments upon Termination or Change in Control section below) or by reason of Mr. Menzel's death or disability, or if Mr. Menzel terminates his employment for good reason, Mr. Menzel is entitled to salary continuation for 12 months following termination, additional vesting of 25,000 options, and continuation of Company-provided insurance benefits for Mr. Menzel and his dependents until the earlier of: (i) 12 months following termination or (ii) the date Mr. Menzel has secured comparable benefits through another organization's benefits program. The definition of "good reason" is substantially similar to the definition described in " Employment Agreements Employment Agreement with Douglas R. Waggoner." In the event Mr. Menzel is terminated (other than for cause), or terminates his employment for good reason, three months prior to the public announcement of a proposed Change of Control or within 12 months following a Change of Control, Mr. Menzel receives the same benefits as if Mr. Menzel is terminated other than for cause or by reason of Mr. Menzel's death or disability, or if Mr. Menzel terminates his employment for good reason (as described above) plus the immediate vesting of the next full year's options.

Mr. Menzel's employment agreement terminates on April 7, 2013.

Separation Agreement with Scott P. Pettit

On April 29, 2008, we entered into a separation agreement with Mr. Pettit. Pursuant to this agreement, Mr. Pettit is entitled to exercise all 50,000 previously vested stock options and an additional 30,000 for which vesting was accelerated. All other unvested options were forfeited. In addition, Mr. Pettit may be entitled to receive a discretionary pro-rata bonus in connection with his employment for the period from January 1, 2008 to March 31, 2008.

EXECUTIVE COMPENSATION

The following tables set forth certain compensation information for our Chief Executive Officer, Chief Financial Officers, and three other most highly compensated executive officers (collectively, the "named executive officers") during 2007.

2007 SUMMARY COMPENSATION TABLE

Name and Principal Position	Salary(1)($)	Bonus ($)	Option Awards(2)($)	All Other Compensation(3)($)	Total Compensation ($)
Douglas R. Waggoner Chief Executive Officer	223,106	30,000	57,569	37,762	348,437
Orazio Buzza Chief Operating Officer	227,708	30,000		10,823	268,531
David C. Rowe Chief Technology Officer	60,938		13,650	25,569	100,157
Vipon Sandhir Executive Vice President of Sales	204,205	47,188	2,277	6,828	260,498
Andrew Arquette(4) Former Vice President of Finance	192,311	10,000	15,993	11,808	230,112
Scott P. Pettit(5) Former Chief Financial Officer			82,500		82,500

(1) Base salary amount reflects blended rates before and after the salary increases, which became effective between October 1, 2007 and November 1, 2007. Mr. Rowe's base salary earned in 2007 reflects his commencement of employment on September 17, 2007.

(2) Value of option awards is based on the dollar amount (for current and prior awards) recognized for 2007 financial statement reporting purposes in accordance with FAS 123(R). All options were granted under the Echo Global Logistics, LLC 2005 Stock Option Plan. We used the Black-Scholes option valuation model to determine the grant date fair value of options granted. Please see note 14 to our consolidated financial statements for a description of the assumptions used in the model.

(3) Includes, for Mr. Waggoner, medical insurance reimbursement of $8,856, reimbursement for automobile lease payments of $10,500 and life insurance payments of $18,407, and for Messrs. Buzza, Rowe, Sandhir and Arquette, medical insurance reimbursements of $10,823, $569, $6,828 and $11,808, respectively. Includes, for Mr. Rowe, a $25,000 reimbursement to cover the repayment owed to his prior employer pursuant to a contract termination. If Mr. Rowe voluntarily resigns or is terminated by us for cause prior to August 24, 2008, Mr. Rowe must repay us for this reimbursement.

(4) Mr. Arquette acted as our principal financial officer in 2007 prior to Mr. Pettit's appointment on December 27, 2007.

(5) Mr. Pettit served as our principal financial officer from December 27, 2007 to April 4, 2008. As of April 7, 2008, David B. Menzel began serving as our principal financial officer.

2007 GRANTS OF PLAN-BASED AWARDS

The following table summarizes the option awards made to our named executive officers under any plan in 2007.

Name	Grant Date(1)	All Other Stock Awards: Number of Shares of Stock (#)	Number of Securities Underlying Options (#)	Exercise Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards(2)($)
Douglas R. Waggoner	9/28/2007		10,000	4.05	17,000
Scott P. Pettit(3)	12/27/2007		200,000	4.40	390,000
Orazio Buzza(4)	9/28/2007	10,000		4.05	40,500
David C. Rowe	9/17/2007		120,000	4.05	218,400
Vipon Sandhir	9/28/2007		10,000	4.05	16,700
Andrew Arquette	3/1/2007		50,000	1.08	24,500
Andrew Arquette	9/28/2007		10,000	4.05	17,000

(1) All options were granted under the Echo Global Logistics, LLC 2005 Stock Option Plan.

(2) Grant date fair value of each equity award in accordance with FAS 123(R). We used the Black-Scholes option valuation model to determine the grant date fair value of options granted. Please see note 14 to our consolidated financial statements for a description of the assumptions used in the model.

(3) All but 80,000 of these options will be forfeited in connection with Mr. Pettit's separation agreement. See " 2008 Compensation Actions Separation Agreement with Scott P. Pettit."

(4) Mr. Buzza purchased 10,000 restricted common shares on September 28, 2007 at the fair market value price per share of $4.05. Therefore, there is no compensation expense for these shares.

EMPLOYMENT AGREEMENTS

Employment Agreement with Douglas R. Waggoner

We entered into an employment agreement with Douglas R. Waggoner, our Chief Executive Officer, on November 1, 2006, which was amended and restated on , 2008. Pursuant to his amended and restated employment agreement, Mr. Waggoner is entitled to an initial base salary of $300,000 per year. In addition to base salary, Mr. Waggoner is eligible for an annual performance bonus. Mr. Waggoner also has a right to be reimbursed for the full amount of his insurance costs under our insurance programs. Further, we will pay up to $17,500 annually for the cost of Mr. Waggoner's life insurance policy in effect at the time he entered into the employment agreement.

In connection with the execution of his employment agreement in 2006, Mr. Waggoner received options to purchase 900,000 shares of the Company's common stock at an exercise price of $1.84 per share. The shares acquired upon exercise of the options are subject to a right of first refusal that terminates upon the completion of an initial public offering. The options vest as follows: 100,000 shares vested on November 16, 2006 and 200,000 shares each vest (or have vested) on January 1, 2008, January 1, 2009, January 1, 2010, and January 1, 2011. In the event of a sale to any third-party of at least 50% of the total then-outstanding shares of the Company for a cash or publicly-traded stock purchase price equal to at least $8.00 or in the event the Company consummates a public offering, 50% of Mr. Waggoner's unvested options will vest; provided, however, that if either of these acceleration events occurs after the first two years of the term of the employment agreement, then 75% of Mr. Waggoner's unvested options will vest.

Subject to the execution of a general release and waiver, if Mr. Waggoner's employment is terminated by us after December 31, 2007 for any reason other than for cause (as described in the narrative to the Potential Payments Upon Termination or Change in Control section) or by reason of

Mr. Waggoner's death or disability, or if Mr. Waggoner terminates his employment for Good Reason (as defined below), Mr. Waggoner is entitled to:

- salary continuation for 24 months following termination;
- additional vesting of 150,000 options; and
- continuation of Company-provided insurance benefits for Mr. Waggoner and his dependents until such time Mr. Waggoner has secured comparable benefits through another organization's benefits program.

In the event Mr. Waggoner is terminated (other than for cause), or terminates his employment for good reason, three months prior to the public announcement of a proposed Change of Control or within 12 months following a Change of Control, Mr. Waggoner is entitled to the benefits described above and the immediate vesting of the next full year's options as if his employment continued for a period of 12 months following termination.

For purposes of Mr. Waggoner's employment agreement, "Change of Control" has the same meaning as set forth in our 2008 Stock Incentive Plan as described in the narrative to the Potential Payments Upon Termination or Change in Control section. Further, "Good Reason" occurs if Mr. Waggoner terminates his employment for any of the following reasons: (i) we materially reduce Mr. Waggoner's duties or responsibilities below what is customary for his position in a business that is similar to our Company without Mr. Waggoner's consent, (ii) we require Mr. Waggoner to relocate his office more than 100 miles from his current office without his consent, (iii) we materially breach the terms of the employment agreement, or (iv) Mr. Waggoner is forced to report to anyone other than our Board. If one or more of the above conditions exist, Mr. Waggoner must provide notice to the Company within a period not to exceed 90 days of the initial existence of the condition. Upon such notice, the Company shall have 30 days during which it may remedy the condition.

Mr. Waggoner's employment agreement terminates on January 1, 2011.

Employment Agreement with Scott P. Pettit

Mr. Pettit joined the Company on December 27, 2007 and did not have an employment arrangement in 2007. We entered into an employment agreement with Scott P. Pettit, our former Chief Financial Officer, on January 1, 2008. Pursuant to his employment agreement, Mr. Pettit was entitled to a base salary of $200,000 per year through December 27, 2008. In addition to base salary, Mr. Pettit was eligible for an annual performance bonus. Mr. Pettit also had a right to be reimbursed for the full amount of his insurance costs under our insurance programs. Further, we agreed to pay up to $9,250 annually for the cost of Mr. Pettit's life insurance policy in effect at the time he entered into the employment agreement.

In connection with the execution of his employment agreement, Mr. Pettit received options to purchase 200,000 shares of common stock at an exercise price of $4.40 per share, with options with respect to 50,000 of these shares vesting immediately and options with respect to 30,000 shares vesting on December 27 of each of 2008, 2009, 2010, 2011 and 2012. Pursuant to the terms of Mr. Pettit's separation agreement, the vesting of options to purchase 30,000 shares of common stock has been accelerated and his remaining unvested options were forfeited. The shares acquired upon exercise of the options are subject to a right of first refusal that terminates upon the completion of an initial public offering.

Mr. Pettit is no longer employed by Echo. See " 2008 Compensation Actions Separation Agreement with Scott P. Pettit."

Employment Agreements with Orazio Buzza, Vipon Sandhir and David C. Rowe

We entered into employment agreements with Orazio Buzza, the Company's then President and Chief Technology Officer (currently, the Chief Operating Officer), and Vipon Sandhir, the Company's Executive Vice President of Sales, on March 1, 2005 and August 1, 2005, respectively, which were each amended and restated on , 2008. We also entered into an employment agreement with David C. Rowe on August 24, 2007, which was amended and restated on , 2008. Pursuant to their employment agreements, Messrs. Buzza, Sandhir and Rowe are entitled to a base salary and are eligible to receive an annual performance bonus.

Upon joining the Company, Mr. Buzza was granted 450,000 shares of common stock and Mr. Sandhir was granted 150,000 shares of common stock, each with a fair value of $0.001 per share. In addition, Mr. Buzza was given the opportunity to purchase 450,000 restricted shares of common stock on March 15, 2006 and Mr. Sandhir was given the opportunity to purchase 450,000 restricted shares of common stock on April 15, 2006, each at a price of $0.25 per share and subject to certain repurchase rights.

Subject to the execution of a general release and waiver, in the event Mr. Buzza, Mr. Sandhir or Mr. Rowe is terminated by us for any reason other than for cause (as described in the narrative to the Potential Payments Upon Termination or Change in Control section) or by reason of death or disability, or if either terminates his employment for Good Reason (as defined above for Mr. Waggoner, except (iv)), Messrs. Buzza, Sandhir and Rowe are entitled to salary continuation for three months plus accrued but unused vacation time or minus unaccrued and used vacation time.

If, during the three months prior to the public announcement of a proposed Change of Control (as defined in our 2008 Stock Incentive Plan) or twelve months following a Change of Control, Messrs. Buzza, Sandhir or Rowe is terminated by us for any reason other than cause or employment is terminated by Messrs. Buzza, Sandhir or Rowe for Good Reason, each is entitled to salary continuation for three months plus accrued but unused vacation time or minus unaccrued and used vacation time and, with respect to Messrs. Buzza and Sandhir, the Company forfeits its repurchase right for two years following termination.

Each of Mr. Buzza's, Mr. Sandhir's and Mr. Rowe's employment agreement terminates on January 1, 2011.

2007 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table summarizes the number of securities underlying outstanding plan awards for each named executive officer as of December 31, 2007.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Stock that Have Not Vested (#)	Market Value of Shares of Stock that Have Not Vested ($)
Douglas R. Waggoner(1)						
	100,000	800,000	1.84	11/1/2016		
	0	10,000	4.05	9/28/2017		
Scott P. Pettit(2)	50,000	150,000	4.40	12/27/2017		
Orazio Buzza(3)					460,000	1,871,000
David C. Rowe(4)	0	120,000	4.05	9/17/2017		
Vipon Sandhir(5)	0	10,000	4.05	9/28/2017	270,000	1,120,500
Andrew Arquette(6)	25,000	75,000	0.77	7/1/2016		
	0	50,000	1.08	3/1/2017		
	0	10,000	4.05	9/28/2017		

(1) Mr. Waggoner's options to purchase 800,000 shares of common stock at an exercise price of $1.84 per share vest with respect to 200,000 of those shares on January 1 of each of 2008, 2009, 2010 and 2011. Mr. Waggoner's options to purchase 10,000 shares of common stock at an exercise price of $4.05 per share vest with respect to all of those shares on December 31, 2009.

(2) Mr. Pettit's options to purchase 150,000 shares of common stock at an exercise price of $4.40 per share vest with respect to 30,000 of those shares on December 27 of each of 2008, 2009, 2010, 2011 and 2012. Pursuant to Mr. Pettit's separation agreement, his option to purchase 30,000 of the shares will vest immediately and the remainder will be forfeited. See " 2008 Compensation Actions Separation Agreement with Scott P. Pettit."

(3) Certain of Mr. Buzza's unvested shares are subject to repurchase by the Company. This repurchase right expires with respect to 225,000 shares on January 1, 2008, with respect to 225,000 shares on December 31, 2008 and with respect to the 10,000 unvested shares on January 1, 2009. The market value is determined by aggregating the difference between the market price of $4.40 as of December 31, 2007 and the repurchase prices of $0.25 and $4.05 as to 450,000 and 10,000 unvested shares, respectively.

(4) Mr. Rowe's options to purchase 120,000 shares of common stock at an exercise price of $4.05 per share vest with respect to 30,000 of those shares on September 17 of each of 2008, 2009, 2010 and 2011.

(5) Mr. Sandhir's options to purchase 10,000 shares of common stock at an exercise price of $4.05 per share vest with respect to all of those shares on August 1, 2009. Certain of Mr. Sandhir's unvested shares are subject to repurchase by the Company. This repurchase right expires with respect to 180,000 on August 1, 2008 and the remaining 90,000 on August 1, 2009. The market value is determined by aggregating the difference between the market price of $4.40 as of December 31, 2007 and the repurchase price of $0.25 as to 270,000 unvested shares.

(6) Mr. Arquette's options to purchase 75,000 shares of common stock at an exercise price of $0.77 per share vest with respect to 25,000 of those shares on July 10 of each of 2008, 2009 and 2010. Mr. Arquette's options to purchase 50,000 shares of common stock at an exercise price of $1.08 per share vest with respect to 12,500 of those shares on March 1 of each of 2008, 2009, 2010 and 2011. Mr. Arquette's options to purchase 10,000 shares of common stock at an exercise price of $4.05 per share vest with respect to all of those shares on December 31, 2009.

2007 OPTION EXERCISES AND STOCK VESTED

The following table sets forth certain information regarding stock awards that vested during fiscal year 2007 for the named executive officers. There were no option exercises in 2007.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Douglas R. Waggoner		
Scott P. Pettit		
Orazio Buzza		
David C. Rowe		
Vipon Sandhir	180,000	684,000(1)
Andrew Arquette		

(1) This figure is calculated by multiplying the number of shares acquired on vesting by $3.80, which represents the difference between the fair market value of the stock on the vesting date, $4.05, and the price at which the Company previously had the right to repurchase the stock, $0.25.

2007 PENSION BENEFITS

We do not sponsor any qualified or non-qualified defined benefit plans.

2007 NONQUALIFIED DEFERRED COMPENSATION

We do not maintain any non-qualified defined contribution or deferred compensation plans.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Assuming the employment of our named executive officers were to be terminated by us without cause or by the officers for good reason, each as of December 31, 2007 (except as noted below), the following individuals would be entitled to payments in the amounts set forth opposite their name in the below table:

	Cash Severance	Benefit Continuation	
Douglas R. Waggoner	$25,000 per month for 24 months**	$	11,808*
Scott P. Pettit	***		*
Orazio Buzza	$21,250 per month for three months	$	0
David C. Rowe	****	$	0
Vipon Sandhir	$20,000 per month for three months	$	0
Andrew Arquette	$0	$	0

*

Pursuant to the employment agreements with Messrs. Waggoner and Pettit, in the event of a termination without cause or a termination for good reason (beginning as of January 1, 2008 for Mr. Waggoner and as of January 3, 2009 for Mr. Pettit), the Company would also provide Messrs. Waggoner and Pettit and their dependents with Company paid insurance benefits until such time comparable benefits are secured through another employer's benefits program. The following assumptions were made in calculating the benefit continuation amounts: a monthly cost of $984 for a period of 12 months.

**

As of January 1, 2008, Mr. Waggoner is entitled to 24 months' salary in the event of a termination by the Company without cause or by him for good reason.

***

As of December 28, 2008, Mr. Pettit would have been entitled to 12 months' salary in the event of a termination by the Company without cause or by him for good reason. See " 2008 Compensation Actions Separation Agreement with Scott P. Pettit."

****

As of , 2008, Mr. Rowe is entitled to three months' salary in the event of a termination of his employment by the Company without cause or by him for good reason.

We are not obligated to make any cash payments to these executives if their employment is terminated by us for cause or by the executives not for good reason. No severance or benefits are provided for any of the executive officers in the event of death or disability. A change in control does not affect the amount or timing of these cash severance payments.

Mr. Arquette is entitled to six months' salary (which would have equaled $100,000 on December 31, 2007) in the event of a termination by the Company upon a change in control or as a condition to a change in control.

Assuming the employment of our named executive officers were to be terminated without cause or for good reason, each as of December 31, 2007 (or as otherwise specified), the following individuals would be entitled to accelerated vesting of their outstanding equity awards described in the table below:

	Value of Equity Awards: Termination Without Cause or For Good Reason(1)	Value of Equity Awards: Termination Without Cause or For Good Reason In Connection With a Change in Control(1)
Douglas R. Waggoner	$384,000(2)	$896,000(2)
Scott P. Pettit	0(3)	0(3)
Orazio Buzza	0	0
David C. Rowe	0	0
Vipon Sandhir	0	0
Andrew Arquette	0	0

(1) There was no public market for our stock in 2007. Values are based on the aggregate difference between the respective exercise prices and a price of our common stock of $4.40 per share, which was the fair market value of our common stock as of the date of our most recent independent valuation prior to December 31, 2007.

(2) Assuming a termination and/or a change in control on January 1, 2008.

(3) Mr. Pettit would have been entitled to accelerated vesting beginning on December 28, 2008, or in connection with a change in control, beginning on the date of his employment agreement.

In connection with a termination without cause or a termination for good reason, no payments are due unless the executive executes a general release and waiver of claims against us. Each named executive officer is subject to non-competition and non-solicitation restrictions for a period of twenty-four months following termination. Further, each named executive officer entered into a confidentiality agreement upon joining the Company.

The following definitions apply to the termination and change in control provisions in the employment agreements.

Change in Control

As of December 31, 2007, the employment agreements incorporated by reference the Change in Control definition in the 2005 Stock Option Plan. Pursuant to the Company's 2005 Stock Option Plan. A "Change in Control" means an Ownership Change Event or a series of related Ownership Change Events (collectively, a "Transaction") wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or the corporation or corporations to which the assets of the Company were transferred (the "Transferee Corporation(s)"), as the case may be. An "Ownership Change Event" is deemed to have occurred if any of the following events occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company. An indirect beneficial ownership includes, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations.

The employment agreements were amended as of , 2008 to incorporate the Change in Control definition in the 2008 Stock Incentive Plan. Under the 2008 Stock Incentive Plan, "Change in Control" means the occurrence of any one or more of the following: (a) an effective change in control pursuant to which any person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) beneficial ownership of stock of the Company representing more than thirty-five percent (35%) of the voting power of the Company's then outstanding stock; provided, however, that a Change in Control shall not be deemed to occur by virtue of any of the following acquisitions: (i) by the Company or any Affiliate, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, or (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities; (b) any person or persons acting as a group acquires beneficial ownership of Company stock that, together with Company stock already held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or voting power of the Company's then outstanding stock (the acquisition of Company stock by the Company in exchange for property, which reduces the number of outstanding shares and increases the percentage ownership by any person or group to more than 50% of the Company's then outstanding stock will be treated as a Change in Control); (c) individuals who constitute the Board immediately after the Effective Date (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board during any 12-month period; provided, however, that: (i) any person becoming a Director subsequent thereto whose election or nomination for election was approved by a vote of a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director, without written objection to such nomination) shall be an Incumbent Director, provided, that no individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director and (ii) a Change in Control shall not be deemed to have occurred pursuant to this paragraph (c) if, after the Board is reconstituted, the Incumbent Stockholders (as defined below) beneficially own stock of the Company representing more than thirty-five percent (35%) of the voting power of the Company's then outstanding stock; (d) any person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value of at least forty percent (40%) of the total gross fair market value of all the assets of the Company immediately prior to such acquisition. For purposes of this section, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, without regard to any liabilities associated with such assets. The event described in this paragraph (d) shall not be deemed to be a Change in Control if the assets are transferred to (i) any owner of Company stock in exchange for or with respect to the Company's stock, (ii) an entity in which the Company owns, directly or indirectly, at least fifty percent (50%) of the entity's total value or total voting power, (iii) any person that owns, directly or indirectly, at least fifty percent (50%) of the Company stock, or (iv) an entity in which a person described in (d)(iii) above owns at least fifty percent (50%) of the total value or voting power (for purposes of this definition, and except as otherwise provided, a person's status is determined immediately after the transfer of the assets); or (e) upon the happening of any other event(s) designated as a Change in Control for purposes of Section 409A. Notwithstanding the foregoing, shares of Company stock beneficially owned by any of the following (collectively, the "Incumbent Stockholders") shall be excluded for purposes of determining a Change in Control: Polygal Row, LLC, Frog Ventures, LLC, Richard A. Heise Living Trust, Echo Global Logistics Series C Investment Partners, LLC, Old Willow Partners, LLC, Blue Media, LLC, Green Media, LLC, Y&S Nazarian Revocable Trust, Younes Nazarian 2006 Annuity Trust Echo Global, Soraya Nazarian 2006 Annuity Trust Echo Global, Anthony Bobulinski, David Nazarian 2005 Annuity Trust EGL, Sam Nazarian, Baradaran Revocable Trust, Shulamit Nazarian Torbati, New Enterprise Associates 12, Limited Partnership, NEA Ventures 2006, Limited Partnership;

or any of their respective Affiliates, sucessors or assigns. In no event will a Change in Control be deemed to have occurred, with respect to the Participant, if an employee benefit plan maintained by the Company or an Affiliate or the Participant is part of a purchasing group that consummates the transaction that would otherwise result in a Change in Control. The employee benefit plan or the Participant will be deemed "part of a purchasing group" for purposes of the preceding sentence if the plan or the Participant is an equity participant in the purchasing company or group, except where participation is: (i) passive ownership of less than two percent (2%) of the stock of the purchasing company; or (ii) ownership of equity participation in the purchasing company or group that is otherwise not significant, as determined prior to the Change in Control by a majority of the non-employee continuing directors.

Cause

The employment agreements define "Cause" as either: (i) a material breach of any provision of the agreement, provided that in those instances in which a material breach is capable of being cured, the officer has failed to cure within a thirty (30) day period after notice from the Company; (ii) theft, dishonesty, or falsification of any employment or Company records by the officer; (iii) the reasonable determination by the Board that the officer has committed an act or acts constituting a felony or any act involving moral turpitude; or (iv) the reasonable determination by the Board that the officer has engaged in willful misconduct or gross negligence that has had a material adverse effect on the Company's reputation or business.

Good Reason

The definitions of "Good Reason" are described in " Employment Agreements."

2007 DIRECTOR COMPENSATION

The following table shows information concerning the compensation that the Company's non-employee directors earned during the fiscal year ended December 31, 2007.

Name	Fees Earned or Paid in Cash ($)(1)	Options Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Anthony R. Bobulinski				
Richard A. Heise, Jr.				
Bradley A. Keywell		45,419	75,000	120,419
Eric P. Lefkofsky				
Samuel K. Skinner		14,222		14,222
Louis B. Susman		5,000		5,000
John R. Walter				
Harry R. Weller				

(1) We do not pay our non-employee directors any cash compensation for their service on our Board.

(2) Value of option awards is based on the dollar amount (for current and prior awards) for 2007 financial reporting purposes in accordance with FAS 123(R). We used the Black-Scholes valuation model to determine the grant date fair value of options granted. Please see note 14 to our consolidated financial statements for a description of the assumptions used in the model. The grant date fair value of the option award granted in 2007 to Mr. Keywell was $352,000 and to Mr. Skinner was $11,200. The aggregate number of shares subject to outstanding option awards as of December 31, 2007 for our directors are as follows: Mr. Keywell (through his company, Holden Ventures, LLC) 200,000; Mr. Skinner 160,000; and Mr. Susman 100,000.

(3) Consists of fees paid to Holden Ventures, LLC for Mr. Keywell in 2007 for consulting services.

Summary of Director Compensation

We do not provide cash compensation to our directors for their services as members of the Board or for attendance at Board or committee meetings. However, our directors will be reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board and its committees. Under our Stock Incentive Plan, directors are eligible to receive stock option and other equity grants at the discretion of the Compensation Committee or other administrator of the plan.

On June 15, 2006, we granted Mr. Susman an option to purchase 100,000 shares of common stock at a price per share not to exceed $1.00. This option, which has a term of ten years, vested with respect to one-half of the shares on June 30, 2006 and with respect to the remaining half on June 30, 2007. On October 1, 2006, we granted Mr. Skinner an option to purchase 120,000 shares of common stock at a price of $1.84 per share. This option vested immediately with respect to 30,000 shares, and vests or has vested on October 1, 2007, October 1, 2008 and October 1, 2009 with respect to an additional 30,000 shares on each date. On October 1, 2006, we also granted Mr. Skinner the right to purchase 100,000 shares of our common stock at a price of $2.88 per share. Mr. Skinner exercised his right to purchase these shares on December 31, 2006. On February 13, 2007, we granted Mr. Skinner an option to purchase 40,000 shares of common stock at an exercise price of $1.84 per share, with such option vesting immediately with respect to 10,000 shares and on February 13, 2008, February 13, 2009 and February 13, 2010, with respect to an additional 10,000 shares on each date. Each of Mr. Skinner's options has a term of ten years.

In addition, in January 2007, we entered into a consulting agreement with Holden Ventures, LLC, a consulting firm owned and operated by Bradley A. Keywell. Under the terms of the consulting agreement, we paid $75,000 to Holden Ventures for services rendered in 2007, and granted Holden Ventures the right to purchase 500,000 shares of our common stock at an exercise price of $1.10 per share. Holden Ventures exercised its right to purchase these shares in February 2007. We terminated the consulting agreement as of December 31, 2007. In connection with Mr. Keywell's service on our board of directors, we also granted Holden Ventures an option to purchase 200,000 shares of our common stock at an exercise price of $4.05 per share on August 15, 2007, which vests in equal annual installments on March 15, 2008, 2009 and 2010.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of our business and in connection with our financing activities, we have entered into a number of transactions with our directors, officers and 5% or greater stockholders. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates are approved by a majority of our Board of Directors, including a majority of the independent and disinterested members of our Board of Directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third-parties. As a public company following the completion of this offering, our audit committee will be responsible for reviewing the fairness of related party transactions in accordance with the Nasdaq Marketplace Rules. Our audit committee will operate under a written charter pursuant to which it must approve prior to consummation any related party transaction, which includes any transaction or series of transactions in which we or any of our subsidiaries are to be a participant, the amount exceeds $120,000, and a "related person" (as defined under SEC rules) has a direct or indirect material interest. Based on its consideration of all of the relevant facts and circumstances, the audit committee will decide whether or not to approve such transaction and will generally approve only those transactions that are negotiated at arm's length and have terms and conditions that are reasonable and customary.

Recapitalization

Prior to the completion of this offering, we intend to recapitalize all outstanding shares of our common stock, Series B preferred stock and Series D preferred stock into newly issued shares of common stock on approximately a one-for-one basis. The purpose of the recapitalization is to recapitalize all of our outstanding shares of capital stock into shares of the same class of common stock that will be sold in the offering. In addition, prior to the completion of this offering, each outstanding option will be converted into an option to receive one share of common stock upon the applicable exercise date. In connection with the recapitalization and the completion of this offering, we intend to make approximately $2.3 million of required accrued dividend payments to the holders of our Series B and D preferred shares. Such payments include a payment of approximately $24,000 to the holders of our Series B preferred stock, which own approximately 0.4% of our equity on a fully-diluted basis, and a payment of approximately $2.3 million to the holders of our Series D preferred stock, which own 18.2% of our equity on a fully-diluted basis. See "Principal and Selling Stockholders" for information on the holders of our Series B preferred stock and Series D preferred stock.

Relationship with our Founders

Eric P. Lefkofsky, Richard A. Heise, Jr. and Bradley A. Keywell founded our company in January 2005. Messrs. Lefkofsky and Keywell serve as members of our Board of Directors. Mr. Heise served on our Board of Directors from our June 2006 conversion to a corporation through April 2008.

Messrs. Lefkofsky and Heise and family members of Mr. Keywell own, directly or indirectly, 16.7%, 12.9% and 11.0% of our equity interests on a fully-diluted basis, respectively. After this offering, Messrs. Lefkofsky, Heise and Keywell will own, directly or indirectly, %, % and % of our common stock on a fully-diluted basis, respectively.

Consulting Arrangement with Holden Ventures and Bradley A. Keywell

In January 2007, we entered into a consulting agreement with Holden Ventures, LLC, a consulting firm owned and operated by one of our directors, Bradley A. Keywell. We paid $78,140 and $131,431 to Holden Ventures, LLC, a consulting firm owned and operated by Bradley A. Keywell, and Mr. Keywell for services rendered and reimbursement of certain travel and entertainment expenses incurred on our behalf in 2006 and 2007, respectively. In 2007, we also granted Holden Ventures the right to purchase 500,000 shares of our common stock for $1.10 per share. Holden Ventures exercised

its right to purchase these shares in February 2007. We terminated the consulting agreement as of December 31, 2007.

Option Grant to Holden Ventures

In August 2007, in connection with Mr. Keywell's service on our board of directors, we granted an option to purchase 200,000 shares of our common stock at an exercise price of $4.05 per share to Holden Ventures, LLC which vests in equal annual installments on March 15, 2008, 2009 and 2010.

Lease with MediaBank, LLC

In April 2007, we entered into a sub-lease agreement with MediaBank, LLC, an entity controlled by Eric P. Lefkofsky and Bradley A. Keywell, pursuant to which MediaBank leased a portion of our office space in Chicago, and paid 20% of our lease payments and overhead expense relating this space. In June 2007, we entered into an amended sub-lease agreement with MediaBank, pursuant to which MediaBank agreed to pay 29% of our lease payment for the Chicago office. Under the terms of the sub-lease agreements, MediaBank paid us $72,551 in 2007. The sub-lease agreement was negotiated at arm's length, and we believe that the terms and conditions are reasonable and customary.

Relationships with InnerWorkings, Inc.

The involvement of Messrs. Lefkofsky and Heise in the formation and development of both Echo and InnerWorkings, Inc. (NASDAQ: INWK) has contributed to various relationships between Echo and InnerWorkings. These relationships are described below.

Equity Ownership in Echo and InnerWorkings

Certain stockholders of Echo, including certain of our directors and officers, affiliates of New Enterprise Associates and affiliates of the Nazarian family have direct and/or indirect ownership interests in InnerWorkings. These stockholders, and their respective direct and/or indirect ownership interests in InnerWorkings as of December 31, 2007, include:

- Elizabeth Kramer Lefkofsky, 8.2%, who is the wife of Eric P. Lefkofsky, one of our directors;
- Richard A. Heise, Jr., 13.4%, one of our former directors;
- Orazio Buzza, less than 1%, our Chief Operating Officer;
- Anthony R. Bobulinski, less than 1%, one of our directors;
- Entities affiliated with New Enterprise Associates, 14.8%, of which Harry R. Weller, one of our directors, is a Partner; and
- Affiliates of the Nazarian family 7.6%, which include Sharyar Baradaran, a director of InnerWorkings.

InnerWorkings is also one of our stockholders. As of May 31, 2008, InnerWorkings owned 1,500,000 shares of our common stock, or 4.4% of our equity interests on a fully-diluted basis.

Business with InnerWorkings

In the ordinary course, InnerWorkings provides us with print procurement services. As consideration for these services, we paid InnerWorkings approximately $4,500, $35,100 and $88,200 in 2005, 2006 and 2007, respectively. InnerWorkings also provided general management services to the Company in 2005 and 2006, including financial management, legal, accounting, tax, treasury, employee benefit plan, and marketing services, which were billed based on the percentage of time InnerWorkings' employees spent on these services.

In addition, we have provided transportation and logistics services to InnerWorkings. As consideration for these services, we have billed InnerWorkings approximately $264,400, $625,800 and $748,600 in 2005, 2006 and 2007, respectively.

Lease with InnerWorkings

In November 2005, we entered into an agreement with InnerWorkings and Incorp, LLC pursuant to which we sub-lease a portion of InnerWorkings' office space in Chicago, and paid 20% of InnerWorkings' lease payment (and 25% of its overhead expense) relating to this space. In January 2007, we amended the agreement and agreed to pay 35% of InnerWorkings' lease payments for this space. This agreement expired in April 2007. In June 2007, we entered into a new agreement with InnerWorkings pursuant to which we currently sub-lease a portion of InnerWorkings' office space in Chicago, and pay 29% of InnerWorkings' lease payment and overhead expense relating to this space. The total expense incurred by us under the sub-lease agreements was $126,697 and $178,080 in 2006 and 2007, respectively. InnerWorkings has notified us that it intends to terminate the sub-lease agreement at the end of 2008. Each sub-lease agreement was negotiated at arm's length, and we believe that the terms and conditions are reasonable and customary.

Referral Agreement with InnerWorkings

In October 2006, we entered into a referral agreement with InnerWorkings, pursuant to which we agreed to pay InnerWorkings a fee equal to 5% of gross profits on transactions generated through the referral of mutually agreed new clients to us by InnerWorkings, subject to a $75,000 cap per year per client referred. Under the terms of the referral agreement, we incurred referral fees of $62,076 and $75,000 in 2006 and 2007, respectively. The referral agreement was negotiated at arm's length, and we believe that the terms and conditions are reasonable and customary. We terminated this agreement on February 18, 2008.

Supplier Rebate Agreement with InnerWorkings

In June 2006, we entered into a supplier rebate program with InnerWorkings, pursuant to which we provide InnerWorkings with an annual rebate on all freight expenditures in an amount equal to 5% of revenue received from InnerWorkings. In April 2008, we amended the terms of this rebate program to provide InnerWorkings with an annual rebate on all freight expenditures in an amount equal to 3% of revenue received from InnerWorkings, plus an additional 2% of revenue for amounts paid within fifteen days. Under the supplier rebate program we expensed $12,314 and $14,970 in 2006 and 2007, respectively.

Acquisition of Assets of SelecTrans, LLC

In March 2007, we acquired certain assets of SelecTrans, LLC, a freight management software provider based in Lake Forest, Illinois for approximately $350,000 and 150,000 shares of our common stock. Douglas R. Waggoner, our Chief Executive Officer, founded SelecTrans in December 2005 and served as its Chief Executive Officer until the time the assets were acquired. At the time SelecTrans was acquired, Mr. Waggoner and his wife owned 66% of SelecTrans, and he received $275,000 in cash and was allocated 75,000 shares of our common stock. This transaction was negotiated at arm's length, and we believe that the terms and conditions are reasonable and customary.

Relationship with Citi Global Investment Banking

Louis B. Susman, who is the Vice Chairman of Citigroup Corporate and Investment Banking, is also a member of our Board of Directors. Citigroup Corporate and Investment Banking is an affiliate of Citigroup Global Markets Inc., which is an underwriter of this offering. Citigroup Global Markets Inc. will receive certain discounts and commissions for its services, with a total value of approximately $.

See "Underwriting." Our Board of Directors is aware of these interests and will consider them, among other matters, in approving the underwriting agreement and the transactions contemplated by the underwriting agreement.

Sales of Our Securities

We sold the following common units, restricted units and Series B and Series C preferred units of Echo Global Logistics, LLC and the following common stock, restricted common stock and Series D preferred stock of Echo Global Logistics, Inc. to our directors, officers and 5% or greater stockholders, and their respective affiliates, in private transactions on the dates set forth below. In connection with our conversion from an LLC to a corporation in June 2006, the former members of the Echo Global Logistics, LLC received newly issued shares of our capital stock, cash or a combination of both.

Name of Unitholder/ Stockholder	Common Units	Series B Convertible Preferred Units	Series C Convertible Preferred Units	Series D Convertible Preferred Shares	Common Shares	Unvested Common Units	Unvested Common Shares	Date of Purchase	Total Purchase Price
Polygal Row, LLC(1)	11,570,000							3/1/05	$ 1,157
InnerWorkings, LLC	2,000,000							3/1/05	$ 125,000
Blue Media, LLC(2)		41,667						3/1/05	$ 41,667
Old Willow Partners, LLC(3)		41,667						3/1/05	$ 41,667
Orazio Buzza	450,000							3/1/05	(4)
Frog Ventures, LLC(5)	6,480,000							3/1/05	$ 648
Frog Ventures, LLC		41,666						3/1/05	$ 41,666
Echo Global Logistics Series C Investment Partners, LLC(6)	1,053,000		3,510,000					6/1/05	$ 3,510,000
John R. Walter	300,000							7/13/05	$ 30,000
Vipon Sandhir	150,000							8/3/05	(7)
Younes & Soraya Nazarian Revocable Trust	100,000							8/10/05	(8)
John R. Walter	100,000							1/1/06	$ 25,000
John R. Walter						500,000		1/18/06	$ 125,000
Steven E. Zuccarini	30,000							2/1/06	$ 6,000
Orazio Buzza						450,000(9)		3/15/06	$ 112,500
Vipon Sandhir						450,000(10)		4/15/06	$ 112,500
Anthony R. Bobulinski				102,950				6/7/06	$ 286,201
Younes & Soraya Nazarian Revocable Trust				1,461,798				6/7/06	$ 4,063,799
Entities affiliated with New Enterprise Associates				4,694,245				6/7/06	$ 13,050,000
Echo Global Logistics Series C Investment Partners, LLC	3,510,000							6/7/06	(11)
Samuel K. Skinner					100,000			12/31/06	$ 288,000
Holden Ventures, LLC(12)					500,000			2/25/07	$ 550,000
SelecTrans, LLC					150,000			3/21/07	(13)
Mountain Logistics, Inc.							550,000	5/17/07	(14)
Green Media, LLC(15)	100,000							8/15/07	$ 405,000
Orazio Buzza							10,000(16)	9/28/07	$ 40,500
Bestway Solutions, LLC					50,000			10/15/07	(17)
Scott P. Pettit					50,000			1/15/08	$ 220,000

(1) The managers and controlling shareholders of Polygal Row are Blue Media, LLC and Old Willow Partners, LLC. See footnotes (2) and (3) below for information on the ownership of Blue Media, LLC and Old Willow Partners, LLC.

(2)

Blue Media, LLC is owned by Eric P. Lefkofsky (50%), one of our directors, and his wife, Elizabeth Kramer Lefkofsky (50%).

(3) Old Willow Partners, LLC is controlled by Richard A. Heise, Jr., one of our former directors.

(4) These units were issued to Orazio Buzza as partial consideration for his employment with us.

(5) Frog Ventures, LLC is owned by the Keywell Family Trust (20%) and Kimberly Keywell (80%). Ms. Keywell is the wife of Bradley A. Keywell, one of our directors.

(6) Echo Global Logistics Series C Investment Partners, LLC was formed in connection with our Series C financing and, at the time of the sale, was owned by the following individuals and entities: (i) Baradaran Revocable Trust (15.40%), (ii) David Nazarian (7.70%), (iii) Sam Nazarian (7.70%), (iv) Sharon Baradaran (7.70%), (v) Shulamit Nazarian Torbati (7.70%), (vi) Y&S Nazarian Revocable Trust (7.70%),

(vii) Anthony R. Bobulinski (7.70%), one of our directors, (viii) Gregory N. Elinsky (7.70%), (ix) Richard A. Heise Sr. Living Trust (7.58%), (x) Blue Media, LLC (4.62%), an entity owned by Eric P. Lefkofsky, one of our directors, (50%) and his wife, Elizabeth Kramer Lefkofsky (50%), (xi) John R. Walter (3.85%), one of our directors, (xii) The Scion Group, LLC (2.85%), (xiii) Pleasant Lake, LLC (1.83%), (xiv) Bridget Graver (1.85%), (xv) Steve and Debra Zuccarini (1.42%), (xvi) The Scott P. George Trust dated June 3, 2003 (1.42%), (xvii) Nicholas R. Pontikes (1.42%), (xviii) Waverly Investors, LLC (1.42%), (xix) Jerrilyn M. Hoffmann Revocable Trust (1.42%), (xx) Coldwater Holdings, LLC (0.71%), which is controlled by Orazio Buzza, and (xxi) Brian & Mary Tuffin (0.28%). Polygal Row, LLC is the manager of Echo Global Logistics Series C Investment Partners, LLC.

(7) These units were issued to Vipon Sandhir as partial consideration for his employment with us.

(8) These units were granted to affiliates of the Nazarian family in connection with their investment of $2,000,000 in Echo Global Logistics Series C Investment Partners, LLC. In connection with the investment, affiliates of the Nazarian family were also given the right to appoint a member to our board of directors. This right was terminated in connection with subsequent investments.

(9) We have the right to repurchase up to 225,000 of these unvested common shares if Mr. Buzza ceases to be employed by us prior to December 31, 2008 for any reason other than a change of control.

(10) We have the right to repurchase up to 270,000 of these units if Mr. Sandhir ceases to be employed by us prior to August 1, 2008, and 90,000 of these units if Mr. Sandhir ceases to be employed by us prior to August 1, 2009, for any reason other than a change of control.

(11) Effective June 7, 2006, we redeemed 3,510,000 shares of Series C preferred units from Echo Global Logistics Series C Investment Partners ("Series C Partners"), and issued 3,510,000 of our common units to Series C Partners.

(12) Holden Ventures, LLC is owned by Bradley A. Keywell, one of our directors.

(13) These shares were issued to SelecTrans, LLC as partial consideration for our acquisition of SelecTrans, LLC, which was owned by Douglas R. Waggoner, our Chief Executive Officer, Allison L. Waggoner, Mr. Waggoner's wife, and Daryl P. Chol.

(14) These shares were issued to Mountain Logistics, Inc. as partial consideration for our acquisition of Mountain Logistics, Inc., which was owned by Walter Buster Schwab (50%), one of our employees and Ryan Renne (50%), one of our employees. These shares of unvested common stock may vest upon the achievement of certain performance measures by May 31, 2010. We will repurchase all of these unvested common shares for an aggregate price of $1.00 if certain performance targets are not satisfied by May 31, 2010.

(15) Green Media, LLC is owned by Eric P. Lefkofsky (50%), one of our directors, and his wife, Elizabeth Kramer Lefkofsky (50%).

(16) We have the right to repurchase these unvested common shares if Mr. Buzza ceases to be employed by us prior to December 31, 2008.

(17) These shares were issued to Bestway Solutions as partial consideration for our acquisition of Bestway Solutions. We are holding these shares in escrow until April 15, 2009 to secure certain indemnification obligations under the asset purchase agreement pursuant to which we acquired certain assets of Bestway Solutions.

Series D Investment

In June 2006, we issued 6,258,993 shares of Series D preferred stock, or approximately 18.2% of our current equity interests on a fully-diluted basis, to New Enterprise Associates 12, Limited Partnership, NEA Ventures 2006, Limited Partnership, the Younes & Soraya Nazarian Revocable Trust and Anthony R. Bobulinski in exchange for $17.4 million in cash, or $2.78 per share. We used the proceeds to fund working capital, capital expenditures, acquisitions of complementary businesses and salary and commission payments to our sales force. In connection with this investment, we converted from a Delaware limited liability company to a Delaware corporation, and the former members of the Echo Global Logistics, LLC received newly issued shares of our capital stock, cash or a combination of both.

Payments to Holders of Preferred Shares

Upon the completion of this offering, we will be required to make the following approximate payments:

a $24,000 dividend payment to the holders of our Series B preferred shares, and

a $2.3 million dividend payment to the holders of our Series D preferred shares.

We intend to use a portion of our net proceeds from this offering to satisfy these payment obligations.

Registration Rights

We granted piggyback registration rights to the holders of our Series B and D preferred shares and demand registration rights to the holders of our Series D preferred shares pursuant to the terms of an investor rights agreement that we entered into on June 7, 2006. These rights have been waived with respect to this offering. For a more detailed description of these registration rights, see "Description of Capital Stock Registration Rights."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding ownership of our common stock prior to and after this offering:

- each person known to us to own beneficially more than 5% of our outstanding common stock;
- each of our current executive officers named in the summary compensation table;
- each of our directors;
- all of our executive officers and directors as a group; and
- each selling stockholder.

The beneficial ownership of our common stock set forth in the table is determined in accordance with the rules of the Securities and Exchange Commission. As of May 31, 2008, we had 30,675,698 shares of capital stock outstanding and 34 holders of record of our capital stock. The table assumes the recapitalization of all outstanding shares of our common stock, Series B preferred stock and Series D preferred stock into shares of our common stock on approximately a one-for-one basis. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, options to purchase shares of common stock and unvested common shares held by that person that are currently exercisable or vested, or will become exercisable or vested within 60 days after the date of this prospectus are considered outstanding, while these options and shares are not considered outstanding for purposes of computing percentage ownership of any other person. Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power as to all shares beneficially owned.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Echo Global Logistics, Inc., 600 West Chicago, Suite 725 Illinois 60610.

	Shares of capital stock beneficially owned prior to this offering (1)				Number of shares of common stock to be sold in this offering	Number of additional shares of common stock to be sold at underwriters' option (2)	Shares of common stock beneficially owned after this offering			
Name of beneficial owner	**Shares**	**Options**	**Total**	**%**			**Shares**	**Options**	**Total**	**%**
5% Stockholders (not including 5% stockholders who are directors and executive officers)										
Entities affiliated with New Enterprise Associates c/o New Enterprise Associates 119 St. Paul Street Baltimore, MD 21202(3)	4,694,245		4,694,245	15.4%						
Richard A. Heise, Jr.(4)	4,458,621		4,458,621	14.6%						
Frog Ventures, LLC(5)	3,727,988		3,727,988	12.4%						
Directors and Executive Officers										
Samuel K. Skinner	100,000	80,000	180,000	*						
Douglas R. Waggoner		300,000	300,000	1.0%						
Orazio Buzza(6)	596,519		596,519	2.0%						
David B. Menzel		40,000	40,000	*						
Vipon Sandhir(7)	303,840		303,840	1.0%						
David C. Rowe		30,000	30,000	*						
John R. Walter	935,972		935,972	3.1%						
Louis B. Susman	35,972	100,000	135,972	*						
John F. Sandner										
Harry Weller										
Anthony R. Bobulinski(8)	998,166		998,166	3.3%						
Eric P. Lefkofsky(9)	5,753,621		5,753,621	18.9%						
Bradley A. Keywell(10)		66,666	66,666	*						
Directors and Executive Officers as a group (13 persons)	8,724,090	616,666	9,340,756	29.0						

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* Represents beneficial ownership of less than one percent of the outstanding capital stock.

(1) Shares of common stock unless otherwise indicated.

(2) Assumes the underwriters' exercise in full of their option to purchase additional shares from the selling stockholders.

(3) All 4,694,245 shares of capital stock are Series D preferred stock. Includes 4,684,173 shares held by New Enterprise Associates 12, Limited Partnership ("NEA 12"). The shares directly held by NEA 12 are indirectly held by NEA Partners 12, Limited Partnership ("NEA Partners 12"), the sole general partner of NEA 12, NEA 12 GP, LLC, the sole general partner of NEA Partners 12 and each of the individual managers of NEA 12 GP, LLC ("NEA 12 LLC"). The individual managers of NEA 12 LLC are M. James Barrett, Peter J. Barris, Forest Basket, Ryan D. Drant, Patrick J. Kerins, Krishna Kolluri, C. Richard Kramlich, Charles M. Linehan, Charles W. Newhall III, Mark W. Perry, Scott D. Sandell and Eugene A. Trainor III. Includes 10,072 shares held by NEA Ventures 2006, Limited Partnership ("Ven 2006"). The shares directly held by Ven 2006 are indirectly held by Karen P. Welsh, the general partner of Ven 2006. All of the indirect holders of the above referenced shares disclaim beneficial ownership of such shares except to the extent of their actual pecuniary interest therein.

(4) Includes 4,458,621 shares of capital stock held by Old Willow Partners, LLC ("Old Willow"), an entity controlled by Richard A. Heise, Jr., one of our former directors. Of the 4,458,621 shares of capital stock, 41,667 shares are Series B preferred stock and 4,416,954 shares are common stock. On April 29, 2008, Polygal Row, LLC ("Polygal") distributed shares of common stock of Echo to certain members of Polygal on a pro rata basis based on their respective interests in Polygal and for no additional consideration (the "Polygal Distribution"). Old Willow, a managing member of Polygal, received 4,416,954 shares of common stock in connection with the Polygal Distribution.

(5) Frog Ventures, LLC is owned by the Keywell Family Trust (20%) and Kimberly Keywell (80%). Ms. Keywell is the wife of Bradley A. Keywell, one of our directors.

(6) Includes 596,519 shares of capital stock held by Signature Assets, LLC ("Signature Assets"). Signature Assets is owned by Orazio Buzza, our Chief Operating Officer (50%), and his wife, Julie Buzza (50%). Mr. Buzza has voting and investment control with respect to the shares of common stock held by Signature Assets. Of the 596,519 shares of capital stock held by Signature Assets, 225,000 are shares of vested common stock.

(7) Of the 303,840 shares of capital stock held by Mr. Sandhir, 180,000 are shares of vested common stock.

(8) Includes 578,750 shares of common stock that Anthony R. Bobulinski, one of our directors and a non-managing member of Echo Global Logistics Series C Investment Partners, LLC, received in connection with the distribution described in footnote 9.

(9) Includes 4,903,621 shares of common stock held by Blue Media, LLC ("Blue Media"), an entity controlled by Eric P. Lefkofsky, one of our directors (50%), and his wife, Elizabeth Kramer Lefkofsky (50%), and 850,000 shares of common stock held by Green Media, LLC, an entity owned by Mr. Lefkofsky (50%) and Ms. Lefkofsky (50%). On April 29, 2008, Echo Global Logistics Series C Investment Partners, LLC ("Series C Partners") distributed shares of common stock of Echo to certain members of Series C Partners on a pro rata basis based on their respective interests in Series C Partners and for no additional consideration (the "Series C Partners Distribution"). Blue Media, a non-managing member of Series C Partners, received 195,000 shares of common stock in connection with the Series C Partners Distribution. The 4,903,621 shares of capital stock held by Blue Media include (i) 41,667 shares of Series B preferred stock; (ii) 250,000 shares of common stock; (iii) 195,000 shares of common stock that Blue Media received in connection with the Series C Partners Distribution; and (iv) 4,416,954 shares of common stock that Blue Media, a managing member of Polygal, LLC, received in connection with the Polygal Distribution described in footnote 4. Mr. Lefkofsky shares voting and investment control with respect to the shares held by Blue Media, LLC and Green Media, LLC.

(10) Includes options to purchase 66,666 shares of our common stock held by Holden Ventures, LLC, an entity owned and controlled by Bradley A. Keywell, which vested on March 15, 2008.

The selling stockholders participating in the distribution of the shares sold in this offering may be deemed to be "underwriters" within the meaning of the Securities Act. Because the selling stockholders hold restricted securities, any public sales by them (that are not effected pursuant to Rule 144) will be subject to the prospectus delivery requirements of the Securities Act. We will make copies of this prospectus available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act.

DESCRIPTION OF CAPITAL STOCK

General

Upon the closing of this offering, the total amount of our authorized capital stock consists of shares of common stock, $0.0001 par value, and shares of preferred stock, $0.0001 par value. We intend to adopt, and intend to submit for approval by our stockholders, a recapitalization agreement, an amendment to our amended and restated certificate of incorporation, a second amended and restated certificate of incorporation and amended and restated by-laws. The discussion herein describes the recapitalization and also describes our capital stock, second amended and restated certificate of incorporation and amended and restated by-laws as anticipated to be in effect upon the closing of this offering. The following summary of certain provisions of our capital stock describes certain material provisions of, but does not purport to be complete and is subject to and qualified in its entirety by, our second amended and restated certificate of incorporation and amended and restated by-laws, which are included as exhibits to the registration statement of which this prospectus forms a part, and by the provisions of applicable law.

Recapitalization

Prior to the closing of this offering, each outstanding share of our common stock, Series B preferred stock and Series D preferred stock will be recapitalized into approximately one newly issued share of our common stock. The purpose of the recapitalization is to recapitalize all of our outstanding shares of capital stock into shares of the same class of common stock that will be sold in this offering. In addition, prior to the closing of this offering, each outstanding option will be converted into an option to receive one share of common stock upon the applicable exercise date.

Common Stock

Following the recapitalization, and prior to the closing of this offering, there will be shares of common stock outstanding held by holders of record. Holders of common stock are entitled to one vote for each share held on all matters subject to a vote of stockholders, subject to the rights of holders of any outstanding preferred stock. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election, subject to the rights of holders of any outstanding preferred stock. Holders of common stock will be entitled to receive ratably any dividends that the Board of Directors may declare out of funds legally available therefor, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of holders of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our capital stock are fully paid and nonassessable, and the shares of common stock to be issued upon the closing of this offering will be fully paid and nonassessable.

Preferred Stock

Following the recapitalization, and prior to the closing of this offering, we will be authorized to issue shares of preferred stock, which may be issued from time to time in one or more series upon authorization by the Board of Directors. The Board of Directors, without further approval of the stockholders, will be authorized to fix the number of shares constituting any series, as well as the dividend rights and terms, conversion rights and terms, voting rights and terms, redemption rights and terms, liquidation preferences and any other rights, preferences, privileges and restrictions applicable to each series of preferred stock. The issuance of preferred stock, while providing flexibility in connection

with possible acquisitions and other corporate purposes, could also adversely affect the voting power and dividend and liquidation rights of the holders of common stock. The issuance of preferred stock could also, under certain circumstances, have the effect of making it more difficult for a third-party to acquire, or discouraging a third-party from acquiring, a majority of our outstanding voting stock or otherwise adversely affect the market price of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the Board of Directors determines the specific rights of that series of preferred stock.

Registration Rights

Upon the completion of this offering, the holders of our Series B and D preferred shares, who will own 6,383,933 shares of our common stock, will have the right to require us to register the resale of their shares under the Securities Act pursuant to the terms of an investor rights agreement between us and these holders. Subject to limitations specified in the agreement, these registration rights include the following:

Demand Registration Rights. If a majority of the holders of our Series D preferred shares request that we register at least $10 million aggregate offering price of their shares, we are also required to register, upon request, the shares held by the holders of our Series B and Series D preferred shares, subject to limitations that the underwriters may impose on the number of shares included in the registration. We can only be required to file a total of two registration statements upon the stockholders' exercise of these demand registration rights. We will not be required to effect a demand registration during the period starting with the date of filing, and ending 180 days following the effective date of, this registration statement.

Piggyback Registration Rights. If we propose to file a registration statement under the Securities Act to register our shares of common stock, the holders of our Series B and D preferred shares are entitled to notice of such registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration. These rights have been waived with respect to this offering. The holders of our Series B and D preferred shares also have the right to include their shares in our future registrations, including secondary offerings of our common stock.

Form S-3 Registration Rights. If we become eligible to file registration statements on Form S-3, the holders of our Series B and D preferred shares can require us to register their shares on Form S-3 if the aggregate offering price to the public is at least $1.0 million. We will not be required to effect more than two registrations on Form S-3 in any given 12-month period, and are not required to effect a registration on a Form S-3 if within thirty (30) days of receipt of a written request we give notice of our intention to make a public offering within ninety (90) days, subject to certain exceptions.

Expenses of Registration. With specified exceptions, we are required to pay all expenses of registration, including the fees and expenses of one legal counsel to the holders, up to a prescribed maximum amount, but excluding underwriters' discounts and commissions.

Right of First Refusal. Each party to the investor rights agreement has a right of first refusal to purchase its pro rata share of certain of our equity securities. These rights do not apply to this offering and terminate immediately upon the effective date of the registration statement of which this prospectus is a part.

The registration rights described above will terminate, with respect to any particular stockholder, upon the earlier of (i) an acquisition of us under certain circumstances or (ii) five years after the completion of this offering. Each party to the investor rights agreement has agreed not to sell or otherwise dispose of any shares of our common stock for a period of 180 days following the effective date of this offering.

Elimination of Liability in Certain Circumstances

Our certificate of incorporation will eliminate the liability of our directors to us or our stockholders for monetary damages resulting from breaches of their fiduciary duties as directors. Directors will remain liable for breaches of their duty of loyalty to us or our stockholders, as well as for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, and transactions from which a director derives improper personal benefit. Our certificate of incorporation will not absolve directors of liability for payment of dividends or stock purchases or redemptions by us in violation of Section 174 (or any successor provision of the Delaware General Corporation Law).

The effect of this provision is to eliminate the personal liability of directors for monetary damages for actions involving a breach of their fiduciary duty of care, including any such actions involving gross negligence. We do not believe that this provision eliminates the liability of our directors to us or our stockholders for monetary damages under the federal securities laws. The certificate of incorporation and by-laws will also provide indemnification for the benefit of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law as it may be amended from time to time, including most circumstances under which indemnification otherwise would be discretionary.

Number of Directors; Removal; Vacancies

Our by-laws will provide that we have nine directors, provided that this number may be changed by the board of directors. Vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors then in office. Our by-laws will provide that, subject to the rights of holders of any future series of preferred stock, directors may be removed, with or without cause, at meetings of stockholders by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote generally in the election of directors.

Special Meetings of Stockholders; Limitations on Stockholder Action by Written Consent

Our certificate of incorporation will provide that special meetings of our stockholders may be called only by our chairman of the board, our chief executive officer, our board of directors or holders of not less than a majority of our issued and outstanding voting stock. Any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of stockholders and may not be effected by written consent unless the action to be effected and the taking of such action by written consent have been approved in advance by our board of directors.

Amendments; Vote Requirements

Certain provisions of our certificate of incorporation and by-laws will provide that the affirmative vote of a majority of the shares entitled to vote on any matter is required for stockholders to amend our certificate of incorporation or by-laws, including those provisions relating to action by written consent and the ability of stockholders to call special meetings.

Authorized but Unissued Shares

The authorized but unissued shares of common stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Advance Notice Requirements for Stockholder Proposals and Nomination of Directors

Our by-laws will provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. However, in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, such notice will be timely only if received not later than the close of business on the tenth day following the date on which notice of the date of the annual meeting was mailed to stockholders or made public, whichever first occurs. Our by-laws will also specify requirements as to the form and content of a stockholder's notice.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is .

Listing

Our common stock will be listed on the Nasdaq Global Market under the symbol "ECHO."

SHARES ELIGIBLE FOR FUTURE SALE

Following this offering, we will have shares of common stock outstanding. All shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased by our affiliates, as that term is defined in Rule 144, may generally only be sold in compliance with the limitations of Rule 144 described below.

The remaining shares of common stock outstanding following this offering will be "restricted securities" as the term is defined under Rule 144. We issued and sold these restricted securities in private transactions in reliance on exemptions from registration under the Securities Act. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption under Rule 144 or Rule 701 under the Securities Act, as summarized below.

We have agreed with the underwriters that we will not, without the prior written consent of Lehman Brothers and Citi, issue any additional shares of common stock or securities convertible into, exercisable for or exchangeable for shares of common stock for a period of 180 days (subject to extensions) after the date of this prospectus, except that we may grant options to purchase shares of common stock under our Stock Incentive Plan and issue shares of common stock upon the exercise of outstanding options and warrants.

Our officers and directors and our other stockholders, who will hold an aggregate of shares of common stock upon completion of this offering, have agreed that they will not, without the prior written consent of Lehman Brothers and Citi, offer, sell, pledge or otherwise dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for, or any rights to acquire or purchase, any of our common stock, or publicly announce an intention to effect any of these transactions, for a period of 180 days (subject to extensions) after the date of this prospectus without the prior written consent of Lehman Brothers and Citi, except that nothing will prevent any of them from exercising outstanding options and warrants. These lock-up agreements are subject to such stockholders' rights to transfer their shares of common stock as a bona fide gift or to a trust for the benefit of an immediate family member or to a wholly-owned subsidiary, provided that such donee or transferee agrees in writing to be bound by the terms of the lock-up agreement and such transfer would not require any filing with the SEC under Section 13 or 16 of the Securities Exchange Act of 1934.

Taking into account the lock-up agreements, and assuming Lehman Brothers and Citi do not release stockholders from these agreements, the following shares will be eligible for sale in the public market at the following times:

- on the date of this prospectus, the shares sold in this offering will be immediately available for sale in the public market; and

- 180 days after the date of this prospectus, shares will be eligible for sale, subject (in the case of shares held by our affiliates) to volume, manner of sale and other limitations under Rule 144.

Shares issuable upon exercise of options we granted prior to the date of this prospectus will also be available for sale in the public market pursuant to Rule 701 under the Securities Act, subject to certain Rule 144 limitations and, in the case of some holders, to the lock-up agreements. Rule 701 permits resales of these shares beginning 90 days after the date of this prospectus by persons other than affiliates.

In general, under Rule 144, a stockholder who is an affiliate and owns restricted shares that have been outstanding for at least six months is entitled to sell, within any three-month period, a number of these restricted shares that does not exceed the greater of:

- one percent of the then outstanding shares of common stock, or approximately shares immediately after this offering; or

- the average weekly trading volume in the common stock on the Nasdaq Global Market during the four calendar weeks preceding the sale.

Prior to this offering, there has been no public market for our common stock.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion summarizes certain material U.S. federal income tax considerations relating to the ownership and disposition of common stock by a Non-U.S. Holder (as defined below). This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable U.S. Treasury Regulations, administrative rulings, and judicial decisions as in effect. All such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in different U.S. federal income tax consequences than those discussed herein. There can be no assurance that the Internal Revenue Service (the "IRS") will not take a contrary position to the discussion of the U.S. federal income tax consequences discussed herein or such position will not be sustained by a court. No ruling from the IRS or opinion of counsel has been obtained with respect to the U.S. federal income tax consequences of owning or disposing of the common stock.

The following discussion deals only with Non-U.S. Holders holding shares of our common stock as capital assets as of the date of this prospectus. The following discussion also does not address considerations that may be relevant to certain Non-U.S. Holders that are subject to special rules, such as the following:

- controlled foreign corporations;
- passive foreign investment companies;
- corporations that accumulate earnings to avoid U.S. federal income tax, brokers or dealers in securities or currencies;
- holders of securities held as part of a hedge or a position in a "straddle," conversion transaction, risk reduction transaction, or constructive sale transaction; or
- certain former citizens or long-term residents of the United States that are subject to special treatment under the Code.

The following discussion also does not address entities that are taxed as partnerships or similar pass-through entities. If a partnership or other pass-through entity holds common stock, the tax treatment of the partnership (or other pass-through entity) and its partners (or owners) will depend on the status of the partner and the activities of the partnership. Partnerships (and other pass-through entities) and their partners (and owners) should consult with their own tax advisors to determine the tax consequences of owning or disposing of common stock.

The following discussion does not address any non-income tax consequences of owning or disposing of common stock or any income tax consequences under state, local, or foreign law. **Potential purchasers are urged to consult their own tax advisors to discuss the tax consequences of owning or disposing of common stock based on their particular situation, including non-income tax consequences and tax consequences under state, local, and foreign law.**

Non-U.S. Holder

As used in this discussion, a "Non-U.S. Holder" means a beneficial owner of our common stock that is not any of the following for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source;

a trust (i) if it is subject to the supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person; or

an entity that is disregarded as separate from its owner if all of its interests are owned by a single person described above.

Dividends

If we make distributions on our common stock, such distributions paid to a Non-U.S. Holder will generally constitute dividends for U.S. federal income tax purposes to the extent such distributions are paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the Non-U.S. Holder's investment to the extent of the Non-U.S. Holder's adjusted tax basis in our common stock. Any remaining excess will be treated as capital gain. See " Gain on Disposition of Common Stock" for additional information.

Dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder of common stock who wishes to claim the benefit of an applicable treaty rate for dividends will be required to (a) complete IRS Form W-8BEN (or appropriate substitute form) and certify, under penalty of perjury, that such holder is (or, in the case of a Non-U.S. Holder that is an estate or trust, such forms certifying the status of each beneficiary of the estate or trust as) not a U.S. person and is eligible for the benefits with respect to dividends allowed by such treaty or (b) hold common stock through certain foreign intermediaries and satisfy the certification requirements for treaty benefits of applicable Treasury regulations. Special certification requirements apply to certain Non-U.S. Holders that are "pass-through" entities for U.S. federal income tax purposes. A Non-U.S. Holder eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

This United States withholding tax generally will not apply to dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States, and, if a treaty applies, attributable to a United States permanent establishment or fixed base of the Non-U.S. Holder. Dividends effectively connected with the conduct of a trade or business, as well as those attributable to a United States permanent establishment or fixed base of the Non-U.S. Holder under an applicable treaty, are subject to U.S. federal income tax generally in the same manner as if the Non-U.S. Holder were a U.S. person, as defined under the Code. Certain IRS certification and disclosure requirements must be complied with in order for effectively connected dividends to be exempt from withholding. Any such effectively connected dividends received by a Non-U.S. Holder that is a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Gain on Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax (or any withholding thereof) with respect to gain recognized on a sale or other disposition of common stock unless:

the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States and, where a tax treaty applies, is attributable to a United States permanent establishment or fixed base of the Non-U.S. Holder;

- the Non-U.S. Holder is an individual who is present in the United States for 183 or more days during the taxable year of disposition and meets certain other requirements; or

- we are or have been a "U.S. real property holding corporation" within the meaning of Section 897(c)(2) of the Code, also referred to as a USRPHC, for U.S. federal income tax purposes at any time within the five-year period preceding the disposition (or, if shorter, the Non-U.S. Holder's holding period for the common stock).

Gain recognized on the sale or other disposition of common stock and effectively connected with a United States trade or business, or attributable to a United States permanent establishment or fixed base of the Non-U.S. Holder under an applicable treaty, is subject to U.S. federal income tax on a net income basis generally in the same manner as if the Non-U.S. Holder were a U.S. person, as defined under the Code. Any such effectively connected gain from the sale or disposition of common stock received by a Non-U.S. Holder that is a foreign corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

An individual Non-U.S. Holder who is present in the United States for 183 or more days during the taxable year of disposition generally will be subject to a 30% tax imposed on the gain derived from the sale or disposition of our common stock, which may be offset by U.S. source capital loses realized in the same taxable year.

In general, a corporation is a USRPHC if the fair market value of its "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide (domestic and foreign) real property interest and its other assets used or held for use in a trade or business. For this purpose, real property interests include land, improvements and associated personal property.

We believe that we currently are not a USRPHC. In addition, based on these financial statements and current expectations regarding the value and nature of our assets and other relevant data, we do not anticipate becoming a USRPHC.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

The United States imposes a backup withholding tax on dividends and certain other types of payments to United States persons (currently at a rate of 28%) of the gross amount. Dividends paid to a Non-U.S. Holder will not be subject to backup withholding if proper certification of foreign status (usually on an IRS Form W-8BEN) is provided, and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person, or the holder is a corporation or one of several types of entities and organizations that qualify for exemption, also referred to as an exempt recipient.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

UNDERWRITING

Lehman Brothers Inc. and Citigroup Global Markets Inc. are the representatives of the underwriters and joint book-running managers. The company, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table.

Underwriters	Number of Shares
Lehman Brothers Inc.	
Citigroup Global Markets Inc.	
William Blair & Company, L.L.C.	
Thomas Weisel Partners LLC	
Barrington Research Associates, Inc.	
Craig-Hallum Capital Group, Inc.	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until the option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from the selling stockholders. They may exercise that option, in whole or in part, from time to time and at anytime, for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by the company and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by the Company

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Paid by the Selling Stockholders

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The company and its officers, directors, and holders of substantially all of the company's common stock, including the selling stockholders, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period the company issues an earnings release or announces material news or a material event; or (2) prior to the expiration of the 180-day restricted period, the company announces that it will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among the company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the company's historical performance, estimates of the business potential and earnings prospects of the company, an assessment of the company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

An application has been made to quote the common stock on the Nasdaq Global Market under the symbol "ECHO".

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the selling stockholders in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. "Naked" short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NASDAQ Global Market, in the over-the-counter market or otherwise.

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares offered hereby to be sold to certain directors, officers, employees and persons having relationships with us. The number of shares of common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares that are not purchased will be offered by the underwriters to the general public on the same terms as the other shares offered in this prospectus.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

The company and the selling stockholders estimate that their share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $.

The company and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make for these liabilities.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the company, for which they received or will receive customary fees and expenses. Louis B. Susman, who is the Vice Chairman of Citigroup Corporate and Investment Banking, is also a member of Echo's Board of Directors. Citigroup Corporate and Investment Banking is an affiliate of Citigroup Global Markets Inc. In addition, William Blair & Company, L.L.C. is an enterprise customer of Echo.

A prospectus in electronic format may be made available on Internet websites maintained by one or more of the representatives of the underwriters of this offering and may be made available on websites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by any underwriter is not part of this prospectus.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000

("FSMA")) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country in which the purchase is made in addition to the offering price listed on the cover page of this prospectus.

VALIDITY OF COMMON STOCK

The validity of the common stock offered hereby will be passed upon for us by Winston & Strawn LLP, Chicago, Illinois and for the underwriters by Sullivan & Cromwell LLP, New York, New York.

EXPERTS

The consolidated financial statements of Echo Global Logistics, Inc. and its subsidiaries at December 31, 2006 and December 31, 2007, and for each of the three years in the period ended December 31, 2007, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing. The financial statements of Mountain Logistics Inc. at December 31, 2006 and for the year ended December 31, 2006 and at April 30, 2007 and for the four month period ended April 30, 2007, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1, including exhibits, schedules and any amendments with respect to the common stock we are offering hereby. This prospectus is a part of the registration statement and includes all of the information which we believe is material to you in considering whether to make an investment in our common stock. We refer you to the registration statement for additional information about us, our common stock and this offering, including the full texts of the exhibits, some of which have been summarized in this prospectus. With respect to each such contract or other document filed as a part of the registration statement, reference is made to the exhibit for a more complete description of the matters involved, and each such statement shall be deemed qualified in its entirety by such reference. The registration statement is available for inspection and copying at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that makes available the registration statement. The address of the SEC's Internet site is http://www.sec.gov. As a result of this offering, we will be required to file reports and other information with the Securities and Exchange Commission pursuant to the informational requirements of the Securities Exchange Act of 1934.

Our website is *http://www.echo.com* (which is not intended to be an active hyperlink in this prospectus). We intend to make available free of charge on our website our annual reports on Form 10-K, quarterly reports on 10-Q, current reports on Form 8-K, amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, proxy statements and other information as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on, or connected to or that can be accessed via our website is not part of this prospectus.

Echo Global Logistics, Inc. and Subsidiaries
Consolidated Financial Statements
As of December 31, 2007 and 2006 and for the Years Ended December 31, 2007, 2006 and 2005

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Echo Global Logistics, Inc. and Subsidiaries
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Echo Global Logistics, Inc. and Subsidiaries
Unaudited Pro Forma Condensed Consolidated Financial Statements
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Echo Global Logistics, Inc. and Subsidiaries
Unaudited Pro Forma Condensed Consolidated Financial Statements
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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Echo Global Logistics, Inc. and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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 consolidated financial position of Echo Global Logistics, Inc. and Subsidiaries at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for stock-based compensation in accordance with the guidelines provided in Statement of Financial Accounting Standards No. 123(R), *Share Based Payments*, effective January 1, 2006.

As disclosed in Note 11 to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*.

/s/ Ernst & Young LLP

Chicago, Illinois
April 28, 2008

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Balance Sheets

	2006	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 8,852,968	$ 1,568,559
Accounts receivable, net of allowance for doubtful accounts of $100,875 in 2006 and $430,150 in 2007	4,334,885	13,849,583
Prepaid expenses	304,464	1,280,387
Total current assets	13,492,317	16,698,529
Property and equipment, net	1,351,341	4,646,737
Intangibles and other assets:		
Goodwill		1,854,926
Intangible assets, net of accumulated amortization of $477,183 in 2007		2,918,817
Deferred income taxes	2,198,705	1,227,705
Other assets	5,826	217,182
Total assets	$ 17,048,189	$ 27,563,896
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable-trade	$ 4,755,164	$ 9,164,565
Accrued expenses	461,030	2,403,233
Advances from related parties	64,320	13,324
Current maturities of capital lease obligations		77,139
Amounts due to restricted stockholders	308,334	262,167
Deferred income taxes	12,918	178,080
Total current liabilities	5,601,766	12,098,508
Capital lease obligations, net of current maturities		223,822
Commitments and contingencies		
Total liabilities	5,601,766	12,322,330
Series D, convertible preferred shares, $.0001 par value, 6,258,993 shares authorized, 6,258,993 shares issued and outstanding at December 31, 2006 and 2007; liquidation preference of $26,100,000	17,648,106	18,694,966
Stockholders' deficit		
Series B, convertible preferred shares, $.0001 par value, 125,000 shares authorized, 125,000 shares issued and outstanding at December 31, 2006 and 2007; liquidation preference of $125,000	12,375	19,896
Series A common, par value $0.0001 per share, 35,000,000 shares authorized, 23,845,038 shares issued and outstanding at December 31, 2007; 35,000,000 shares authorized, 22,628,371 shares issued and outstanding at December 31, 2006	2,263	2,385
Stockholder receivable	(290,405)	(2,405)
Additional paid-in capital	(5,136,162)	(3,357,677)
Accumulated deficit	(789,754)	(115,599)
Total stockholders' deficit	(6,201,683)	(3,453,400)
Total liabilities and stockholders' deficit	$ 17,048,189	$ 27,563,896

2006	2007

See notes to consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Statements of Operations

	Years Ended December 31,		
	2005	**2006**	**2007**
Revenue:			
Transportation	$ 7,227,970	$ 32,416,650	$ 93,931,931
Fee for services	93,666	777,769	1,529,054
Total revenue	7,321,636	33,194,419	95,460,985
Transportation costs	6,151,968	27,703,628	74,575,938
Gross profit	1,169,668	5,490,791	20,885,047
Operating expenses:			
Selling, general, and administrative expenses	1,627,653	5,252,438	16,327,799
Depreciation and amortization	66,774	691,385	1,845,134
Income (loss) from operations	(524,759)	(453,032)	2,712,114
Other income (expense):			
Interest income	12,870	218,241	208,055
Interest expense	(767)		(11,936)
Other, net		(17,177)	(5,424)
Total other income (expense)	12,103	201,064	190,695
Income (loss) before income taxes and discontinued operations	(512,656)	(251,968)	2,902,809
Income tax benefit (expense)		220,170	(1,174,273)
Income (loss) from continuing operations	(512,656)	(31,798)	1,728,536
Loss from discontinued operations		(214,444)	
Net income (loss)	(512,656)	(246,242)	1,728,536
Dividends on preferred shares	(153,735)	(748,654)	(1,054,381)
Net income (loss) applicable to common stockholders	$ (666,391)	$ (994,896)	$ 674,155
Basic income (loss) from continuing operations per share	$ (0.03)	$ (0.03)	$ 0.03
Basic net income (loss) per share	$ (0.03)	$ (0.04)	$ 0.03
Diluted income (loss) from continuing operations per share	$ (0.03)	$ (0.03)	$ 0.03
Diluted net income (loss) per share	$ (0.03)	$ (0.04)	$ 0.03
Pro forma basic earnings (loss) per share (Note 13)	$ (0.02)	$ (0.05)	$ 0.06
Pro forma diluted earnings (loss) per share (Note 13)	$ (0.02)	$ (0.05)	$ 0.06

See notes to consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Statements of Stockholders'/Members' Deficit

Years Ended December 31, 2005, 2006 and 2007

	Common A		Series B Preferred					
	Shares	Amount	Shares	Amount	Stockholders' Receivable	Additional Paid-In Capital	Accumulated Deficit	Total
Balance at January 1, 2005		$		$	$	$	$	$
Proceeds from issuance of shares, net of issuance costs	22,103,000	167,935	125,000	125,000	(152,405)			$ 140,530
Preferred Series C dividends							(148,872)	$ (148,872)
Preferred Series B dividends				4,863			(4,863)	$
Net loss							(512,656)	$ (512,656)
Balance at December 31, 2005	22,103,000	167,935	125,000	129,863	(152,405)		(666,391)	(520,998)
Repayment of receivable					150,000			150,000
Proceeds from issuance of shares	130,000	31,000						31,000
Vesting of restricted shares	166,666	17				41,650		41,667
Issuance of common shares in exchange for Series C preferred	3,510,000	351				3,478,192		3,478,543
Payments for redemption of shares	(3,381,295)	(3,822)				(9,396,178)		(9,400,000)
Conversion from LLC to C corp and related impact on par value		(193,228)		(124,988)		(1,583,942)	1,902,158	
Common A distributions							(1,030,625)	(1,030,625)
Exercise of stock options	100,000	10			(288,000)	287,990		
Preferred Series C dividends							(146,217)	(146,217)
Preferred Series B dividends				7,500			(7,500)	
Preferred Series D dividends							(594,937)	(594,937)
Impact of tax basis intangible resulting from share repurchase						1,964,642		1,964,642
Share compensation expense						71,484		71,484
Net loss							(246,242)	(246,242)
Balance at December 31, 2006	22,628,371	2,263	125,000	12,375	(290,405)	(5,136,162)	(789,754)	(6,201,683)
Repayment of receivable					288,000			288,000
Proceeds from issuance of shares	600,000	60				954,940		955,000
Vesting of restricted shares	346,667	35				86,632		86,667
Issuance of shares in connection with SelecTrans transaction	150,000	15				161,985		162,000
Issuance of shares in connection with Bestway acquisition	50,000	5				214,495		214,500
Exercise of stock options	70,000	7				693		700
Tax benefit from exercise of stock options						36,696		36,696
Preferred Series B dividends				7,521			(7,521)	
Preferred Series D dividends							(1,046,860)	(1,046,860)
Share compensation expense						323,044		323,044
Net income							1,728,536	1,728,536
Balance at December 31, 2007	23,845,038	$ 2,385	125,000	$ 19,896	$ (2,405)	$ (3,357,677)	$ (115,599)	$ (3,453,400)

See notes to consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31		
	2005	**2006**	**2007**
Operating activities			
Net income (loss)	$ (512,656)	$ (246,242)	$ 1,728,536
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Deferred income taxes		(221,145)	1,172,858
Noncash stock compensation expense		71,484	323,044
Depreciation and amortization	66,774	691,385	1,845,134
Change in assets, net of acquisitions:			
Accounts receivable	(3,368,869)	(966,016)	(6,415,338)
Prepaid expenses and other assets	(136,986)	(173,303)	(1,162,636)
Change in liabilities, net of acquisitions:			
Accounts payable	2,238,187	2,594,727	1,437,789
Accrued expenses and other	58,514	327,212	1,473,512
Net cash provided by (used in) operating activities	(1,655,036)	2,078,102	402,899
Investing activities			
Purchases of property and equipment	(603,757)	(1,505,743)	(3,992,993)
Purchase of Mountain Logistics, net of cash acquired			(3,971,257)
Purchase of Bestway			(867,562)
Net cash used in investing activities	(603,757)	(1,505,743)	(8,831,812)
Financing activities			
Repayment of member receivable		150,000	
Principal payments on capital lease obligations			(113,081)
Tax benefit of stock options exercised			36,696
Advances (repayment) to related parties	124,534	(60,214)	(63,311)
Payments of distributions		(1,030,625)	
Payment of dividends on preferred shares	(64,768)	(232,767)	
Issuance of shares, net of issuance costs	3,619,073	17,434,169	1,284,200
Payments for share repurchase		(9,400,000)	
Net cash provided by financing activities	3,678,839	6,860,563	1,144,504
Increase (decrease) in cash and cash equivalents	1,420,046	7,432,922	(7,284,409)
Cash and cash equivalents, beginning of year		1,420,046	8,852,968
Cash and cash equivalents, end of year	$ 1,420,046	$ 8,852,968	$ 1,568,559
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$ 767	$	$ 11,936
Cash paid for income taxes			9,500
Non-cash investing activity			
Issuance of restricted stock in connection with Bestway acquisition			214,500
Issuance of common stock in connection with SelecTrans transaction			162,000
Purchase of furniture and equipment with capital lease			414,041

See notes to consolidated financial statements.

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Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended December 31, 2005, 2006 and 2007

1. Description of the Business

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

The Company was formed on January 3, 2005 and commenced operations in March 2005. The Company was originally established as a Limited Liability Company. Effective June 7, 2006, the Company converted its legal form to a C corporation organized and existing under the General Corporation Law of the State of Delaware.

On June 7, 2006, the Company completed its conversion to a corporate structure whereby Echo Global Logistics LLC converted to Echo Global Logistics, Inc. As a result, each Series A common unit of the LLC converted to a fully paid share of Series A Common Stock, with a par value of $0.0001 per share. In addition, each Series B and C preferred unit of the LLC converted to fully paid shares of Series B Preferred Stock and Series A Common Stock, respectively, both with a par value of $0.0001 per share. In connection with the conversion, the undistributed losses as of the conversion date were classified to additional paid in capital.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Preparation of Financial Statements and Use of Estimates

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

Fair Value of Financial Instruments

As of December 31, 2006 and 2007, the carrying value of the Company's financial investments, which consist of cash and cash equivalents, accounts receivable, and accounts payable, approximate their fair values due to their short term nature.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

In accordance with EITF Issue 91-9, *Revenue and Expense Recognition for Freight Services in Process*, transportation revenue and related transportation costs are recognized when the shipment has been delivered by a third party carrier. Fee for services revenue is recognized when the services have been rendered. At the time of delivery or rendering of services, as applicable, the Company's obligation to fulfill a transaction is complete and collection of revenue is reasonably assured.

In accordance with EITF Issue 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, the Company typically recognizes revenue on a gross basis, as opposed to a net basis similar to a commission arrangement, because it bears the risks and benefits associated with revenue-generated activities by, among other things: (1) acting as a principal in the transaction; (2) establishing prices; (3) managing all aspects of the shipping process; and (4) taking the risk of loss for collection, delivery and returns. Certain transactions to provide specific services are recorded at the net amount charged to the client due to the following key factors: (A) the Company does not have latitude in establishing pricing; and (B) the Company has credit risk for only the net revenue earned from its client while the carrier has credit risk for the transportation costs.

Rebates

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

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

Segment Reporting

The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosure About Segments of an Enterprise and Related Information*, which establishes accounting standards for segment reporting.

The Company's chief operating decision maker assesses performance and makes resource allocation decisions of the business as a single operating segment, transportation and logistics services. Therefore, the Company has only one reportable segment in accordance with SFAS No. 131. The Company has provided all enterprise-wide disclosures according to SFAS No. 131.

Cash and Cash Equivalents

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

Accounts Receivable

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

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

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

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

Property and Equipment

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

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

Internal Use Software

The Company has adopted the provisions of AICPA Statement of Position (SOP) 98-1, *Accounting for the Costs of Software Developed or Obtained for Internal Use*. Accordingly, certain costs incurred in the planning and evaluation stage of internal use computer software are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized internal use software costs are amortized over the expected economic life of three years using the straight-line method. The total amortization expense for the years ended December 31, 2005, 2006, and 2007 was $47,883, $633,423, and $1,060,027, respectively. At December 31, 2006, and 2007, the net book value of internal use software costs was $1,176,109 and $3,047,265, respectively.

Goodwill and Other Intangibles

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. The Company evaluates the recoverability of goodwill using a two-step impairment test. For goodwill impairment test purposes, the Company has one reporting unit. In the first step, the fair value for the Company is compared to its book value including goodwill. In the case that the fair value is less than the book value, a second step is performed which compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the goodwill is determined based on the difference between the fair value of the reporting unit and the net fair values of the identifiable assets and liabilities. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment. Absent any special circumstances, the Company has elected to test for goodwill impairment during the fourth quarter of each year.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

SFAS No. 142 also requires that intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment whenever impairment indicators exist in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company's intangible assets consist of customer relationships, non-compete agreements and trade names, which are being amortized on the straight-line basis over their estimated weighted-average useful lives of five years, ten months and three years, respectively.

Income Taxes

Through June 6, 2006, the Company was treated as a partnership for federal income tax purposes. Federal taxes were not payable by or provided for the Company. Members were taxed individually on their share of the Company's earnings.

As discussed in Note 1, on June 7, 2006, the Company converted from a limited liability company to a "C" corporation. As a result of this conversion, the Company now accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007.

Stock-Based Compensation

Prior to January 1, 2006, the Company accounted for stock-based employee compensation arrangements in accordance with provisions of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and complied with the disclosure requirements of SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of FASB Statement No. 123*. To determine the fair value of options granted prior to January 1, 2006, the Company used the minimum value method. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payments*, using the prospective transition method and Black-Scholes-Merton as the option valuation model. Under the prospective transition method, the Company continues to account for nonvested equity awards outstanding at the date of adopting SFAS No. 123(R) in the same manner as they had been accounted for prior to adoption. As a result, under APB No. 25, compensation expense is based on the difference, if any, on the grant date between the estimated fair value of the Company's stock and the exercise price of options to purchase that stock. The compensation expense is then amortized on a straight-line basis over the vesting period of the stock options. As all non-vested equity awards issued prior to the

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

adoption of SFAS No. 123(R) were issued at fair value on the grant date, no compensation expense will be recognized for non-vested equity awards after the adoption of SFAS No. 123(R).

3. New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51, *Consolidated Financial Statements*. SFAS No. 160 establishes accounting and reporting guidance for a noncontrolling ownership interest in a subsidiary and deconsolidation of a subsidiary. The standard requires that a noncontrolling ownership interest in a subsidiary be reported as equity in the consolidated statement of financial position and any related net income attributable to the parent be presented on the face of the consolidated statement of income. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year that begins after December 15, 2008. The Company will be required to adopt SFAS No. 160 on January 1, 2009, and does not expect the standard to have a material effect on its consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*. which replaces SFAS No. 141, *Business Combinations*, and establishes principles and requirements for how an acquirer: (1) recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in a business combination or gain from a bargain purchase; and (3) determines what information to disclose. SFAS No. 141(R) is effective for business combinations in which the acquisition date is in the first fiscal year after December 15, 2008. The Company will be required to adopt SFAS No. 141(R) on January 1, 2009. The Company is currently evaluating the impact, if any, SFAS No. 141(R) will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Delayed application of this Statement is permitted for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. This Statement is required to be adopted by the Company in the first quarter of its fiscal year 2008. Adoption of SFAS No. 157 is not expected to have a material effect on the Company's consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. SFAS No. 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS No. 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. If the use of the fair value is elected, any

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. New Accounting Pronouncements (Continued)

upfront costs and fees related to the item must be recognized in earnings and cannot be deferred. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS No. 159, changes in fair value are recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company on January 1, 2008. The Company is currently evaluating the impact, if any, SFAS No. 159 will have on its consolidated financial statements.

4. Acquisitions

Mountain Logistics Acquisition

Effective May 1, 2007, the Company acquired Mountain Logistics, Inc. (which was doing business as Transportation Management Group but now operates under the Echo name), a non-asset based third-party logistics provider with offices in Park City, Utah and Los Angeles, California. As a result of the acquisition, the Company believes it has established a significant presence in the West Coast market by gaining over 200 West Coast clients and 43 sales agents. The acquisition provided the Company with a strategic entry into new geographies and an assembled workforce that has significant experience and knowledge of the industry. The purchase price was $4.3 million, consisting of $4.25 million cash paid and expenses incurred directly related to the acquisition. An additional $6.45 million in cash may become payable and 550,000 shares of unvested common stock may vest contingent upon the achievement of certain performance measures by or prior to May 31, 2010. The Company will repurchase all of the unvested common shares for an aggregate price of $1.00 if the performance measures are not satisfied by May 31, 2010. The performance measures are based on both annual and cumulative targets of gross profit recognized less commission expense incurred. The additional contingent consideration will be recorded as goodwill on the balance sheet when those liabilities are resolved and distributable. The consolidated financial statements of the Company include the financial results of this acquisition beginning May 1, 2007.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The customer relationships have a life of 5 years, the non-compete agreements have a weighted average life of 10 months, and the trade names have a life of 3 years. The goodwill is fully deductible for U.S. income tax purposes. The allocation of the purchase price is based on preliminary estimates and assumptions and is subject to revision when valuation plans are finalized.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. Acquisitions (Continued)

Revisions to the purchase price allocation, which may be significant, will be recorded in a future period as increases or decreases to amounts previously reported.

Current assets (including cash of $348,039)	$	2,859,710
Property and equipment		55,491
Customer relationships		2,720,000
Non-compete agreements		69,000
Trade names		190,000
Goodwill		1,230,966
Liabilities assumed		(2,805,871)
Net assets acquired	$	4,319,296

The following unaudited pro forma information presents a summary of the Company's consolidated statements of operations for the years ended December 31, 2006 and 2007 as if the Company had acquired Mountain Logistics as of January 1.

		2006		2007
Revenue	$	45,229,348	$	102,956,135
Income (loss) from operations		(966,734)		2,834,315
Net income (loss)		(660,300)		1,763,037
Basic earnings (loss) per share		(0.06)		0.03
Diluted earnings (loss) per share		(0.06)		0.03

Bestway Acquisition

Effective October 1, 2007, the Company acquired Bestway Solutions LLC, a non-asset based third-party logistics provider located in Vancouver, Washington. As a result of the acquisition, the Company brings a Pacific Northwest presence to its customer and carrier base. The acquisition provided the Company with a strategic entry into new geographies and an assembled workforce that has significant experience and knowledge of the industry. The purchase price was $1.1 million, consisting of $834,000 of cash, 50,000 shares of restricted common stock issued (fair value of $214,500), and expenses incurred directly related to the acquisition. The fair value of the common stock was $4.29 per share, as determined contemporaneously by the Company through application of a discounted cash flow methodology. An additional $303,300 in cash may become payable contingent upon the achievement of certain performance measures by or prior to September 30, 2010. The performance measures are based on annual targets of gross profit recognized. The additional contingent consideration will be recorded as goodwill on the balance sheet when those liabilities are resolved and distributable. The consolidated financial statements of the Company include the financial results of this acquisition beginning October 1, 2007.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The customer relationships have a life of 5 years. The goodwill is fully deductible for U.S. income tax purposes. The allocation of the purchase price is based on preliminary estimates and assumptions and is subject to revision when valuation plans are finalized.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

4. Acquisitions (Continued)

Revisions to the purchase price allocation, which may be significant, will be recorded in a future period as increases or decreases to amounts previously reported.

Current assets	$ 612,328
Property and equipment	38,820
Customer relationships	417,000
Goodwill	623,960
Liabilities assumed	(610,046)
Net assets acquired	$ 1,082,062

The results of Bestway's operations do not have a material impact on the Company's financials. As a result, pro forma financial information is not provided.

5. Discontinued Operations

In the second quarter of 2006, the Company ceased operations of Expert Transportation, LLC, a 90% owned subsidiary that was started in January 2006. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the results of operations and related charges for discontinuing this operation have been classified as "Loss from discontinued operations" in the accompanying Consolidated Statement of Operations.

Following is a summary of the operating results from the discontinued operations for the year ended December 31, 2006.

	2006
Revenue	$ 456,265
Operating expenses	(670,709)
Loss from discontinued operations	$ (214,444)

6. Property and Equipment

Property and equipment at December 31, 2006 and 2007 consisted of the following:

	2006	2007
Computer equipment	$ 220,691	$ 1,150,206
Software, including internal use software	1,857,315	4,320,575
Furniture and fixtures	31,493	857,870
	2,109,499	6,328,651
Less accumulated depreciation	(758,158)	(1,681,914)
	$ 1,351,341	$ 4,646,737

Depreciation expense, including amortization of capitalized internal use software, was $66,774, $691,385, and $1,367,951, for the years ended December 31, 2005, 2006, and 2007, respectively.

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Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Goodwill and Other Intangible Assets

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

Balance as of December 31, 2006	$	
Goodwill acquired related to the purchase of Mountain Logistics, Inc.		1,230,966
Goodwill acquired related to the purchase of Bestway, LLC		623,960
Balance as of December 31, 2007	$	1,854,926

The following is a summary of amortizable intangible assets as of December 31:

		2007	Weighted-Average Life
Customer relationships	$	3,137,000	5 years
Noncompete agreements		69,000	10 months
Trade names		190,000	3 years
		3,396,000	
Less accumulated amortization		(477,183)	
Intangible assets, net	$	2,918,817	

Amortization expense related to these intangible assets was $477,183 for the year ended December 31, 2007 and there was no amortization expense recorded in 2005 or 2006.

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

2008	$	708,290
2009		690,733
2010		648,511
2011		627,400
2012		243,883
Thereafter		
	$	2,918,817

8. Accrued Expenses

The components of accrued expenses at December 31, 2006 and 2007 are as follows:

		2006		2007
Accrued commissions	$		$	684,861
Accrued compensation		279,658		658,699
Accrued rebates		161,961		577,965
Other		19,411		481,708
Total accrued expenses	$	461,030	$	2,403,233

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. Outstanding Line of Credit

The Company has a $5.0 million line of credit with JPMorgan Chase Bank, N.A, which expires on September 30, 2008. Outstanding borrowings are collateralized by substantially all of the Company's assets and are limited to 80% of the book value of the eligible accounts receivable. Interest on the line of credit is payable monthly at an interest rate equal to either 1) the prime rate or 2) LIBOR plus 2%. The Company has discretion in determining if specific advances against the line of credit are drawn down as a prime rate advance or a LIBOR advance. The Company did not have any amounts outstanding on the line of credit as of December 31, 2006 or 2007.

10. Commitments and Contingencies

In April 2007, the Company entered into an operating lease agreement for a new office facility. The lease agreement expires in November 2015, and has escalating base monthly rental payments ranging from $29,798 to $62,030, plus an additional monthly payment for real estate taxes and common area maintenance fees related to the building. The Company has an option to renew this lease for an additional 5 year term at a lease rate that is equal to the prevailing fair market value at that time.

Additionally, the Company entered into a capital lease agreement in 2007 for the acquisition of office furniture and equipment whereby it can purchase the underlying assets for a nominal amount at the end of the lease term. The cost and accumulated amortization of the furniture and equipment capitalized in conjunction with this capital lease was $414,041 and $24,645, respectively, as of December 31, 2007. The related amortization expense is included in depreciation and amortization expense in the accompanying statements of operations.

During 2007, the Company also assumed contractual operating and capital lease obligations through acquisitions, which consisted primarily of building operating leases.

The Company recognizes operating lease rental expense on a straight-line basis over the term of the lease. The total rent expense for the years ended December 31, 2005, 2006, and 2007 was $94,116, $164,174, and $663,299, respectively.

Minimum annual rental payments are as follows:

	Capital Leases	Operating Leases	Related Party Sublease Income	Net Operating Leases
2008	$ 99,635	$ 856,820	$ (137,598)	$ 719,222
2009	99,635	965,270	(148,991)	816,279
2010	99,635	973,885	(152,089)	821,796
2011	49,817	1,006,348	(155,188)	851,160
2012		1,017,222	(158,286)	858,936
Thereafter		2,948,142	(479,249)	2,468,893
	$ 348,722	$ 7,767,687	$ 1,231,401	$ 6,536,286
Less: amounts representing interest expense	(47,761)			
	$ 300,961			

See note 17 for further information on related party sublease.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. Income Taxes

As discussed in note 1, on June 7, 2006, the Company converted from a limited liability company to a "C" corporation. As a result of this conversion, the Company now accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. As a result of the $9.4 million share redemption occurring in June 2006 (see note 12), the tax basis of the Company increased resulting in the recognition of a deferred tax asset of $3.8 million, for which a valuation allowance of $1.9 million was recorded with a corresponding net increase to additional paid in capital of $1.9 million.

Effective January 1, 2007, the Company adopted the provisions of FIN 48, a summary of which is provided in Note 2. The Company did not have any unrecognized tax benefits at adoption and therefore there was no effect on the Company's financial condition or results of operations as a result of implementing FIN 48. In addition, there were no increases or decreases in the current year or unrecognized tax positions at December 31, 2007. The Company's policy is to recognize interest and penalties on unrecognized tax benefits as a component of income tax expense. As of the date of adoption, the Company did not have any accrued interest or penalties associated with unrecognized tax benefits nor did the Company record any interest or penalties during 2007.

The Company does not believe it will have any significant changes in the amount of unrecognized tax benefits in the next 12 months. The evaluation was performed for the tax years ended December 31, 2005, 2006 and 2007, which remains subject to examination by major tax jurisdictions.

The provision for income taxes consists of the following components for the years ended December 31, 2006 and 2007:

	2006	2007
Current:		
Federal	$	$
State	975	1,415
Total current	975	1,415
Deferred		
Federal	(179,704)	931,348
State	(41,441)	241,510
Total deferred	(221,145)	1,172,858
Income tax (benefit) expense	$ (220,170)	$ 1,174,273

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

11. Income Taxes (Continued)

The provision for income taxes for the years ended December 31, 2006 and 2007 differs from the amount computed by applying the U.S. federal income tax rate of 34% to pretax income (loss) because of the effect of the following items:

	2006	2007
Tax expense at U.S. federal income tax rate	$ (178,921)	$ 986,956
State income taxes, net of federal income tax effect	(23,806)	133,139
Recognition of deferred taxes upon conversion to a C corporation	(23,557)	
Nondeductible expenses and other	6,114	23,955
Effect of state rate change on deferred items		23,512
Provision to return adjustments		6,711
	$ (220,170)	$ 1,174,273

The pretax loss subsequent to the conversion to a C corp through December 31, 2006 was $410,612.

At December 31, 2006 and 2007, the Company's deferred tax assets and liabilities consisted of the following:

	2006	2007
Current deferred tax assets:		
Reserves and allowances	$ 102,106	$ 257,693
Total current deferred tax assets	102,106	257,693
Noncurrent deferred tax assets:		
Intangible assets	3,776,479	3,576,096
Stock options	27,741	152,235
Net operating loss carryforward	648,301	602,121
Total noncurrent deferred tax assets	4,452,521	4,330,452
Total deferred tax assets	4,554,627	4,588,145
Less: valuation allowance for deferred tax assets	(1,964,642)	(1,964,642)
Total deferred tax assets, net of valuation allowances	2,589,985	2,623,503
Total current deferred tax liability:		
Prepaid and other expenses	115,024	435,773
Noncurrent deferred tax liabilities:		
Fixed assets	289,174	1,138,105
Total deferred tax liabilities	404,198	1,573,878
Net deferred tax asset	$ 2,185,787	$ 1,049,625

As of December 31, 2007, the Company has a federal net operating loss carryforward of $494,000 that expires in 2026 and a state net operating loss carryforward of $108,000 that expires in 2016.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

12. Stockholders' / Members' Deficit

Series A Common Stock

The Company has authorized 35,000,000 common shares, of which 23,845,038 were issued and outstanding at December 31, 2007.

In June 2006, the Company issued 6,258,993 Series D preferred shares for $2.78 and used a portion of the proceeds to redeem 3,381,295 shares of Series A common stock for $9.4 million. The 3,381,295 shares were redeemed from the following entities and individuals: (a) Polygal Row, LLC, which is an investment vehicle that was created during the formation of the Company; at the time of the redemption, two of its members served on the Company's Board of Directors and the other members had no affiliation with the Company; (b) Frog Ventures, LLC, which is an investment vehicle the majority of which is owned by Kimberly Keywell, the wife of Bradley A. Keywell, one of the Company's founders (Ms. Keywell is not affiliated with the Company other than through her ownership and her husband); (c) Echo Global Logistics Series C Investment Partners, LLC, an investment vehicle formed to purchase the Company's Series C preferred stock; at the time of the redemption, two of its members served on the Company's Board of Directors and the other members had no affiliation with the Company; and (d) two employees who owned stock in the Company at the time of the redemption.

The terms and conditions relating to the issuance of the Series D preferred stock and related redemption transactions were determined through arm's-length negotiations among the Series D preferred investors, the holders of a majority of the Series A common units and the Company. As part of the arm's-length negotiations, the parties agreed that $9.4 million of the Series D investment would be used to redeem shares of Series A common stock on a pro rata basis excluding shares held by affiliates of the Nazarian family, who invested in the Series D preferred stock, and InnerWorkings, Inc., an investor that was in the midst of its initial public offering. The parties also agreed on the ownership percentages that the shares of Series D preferred stock and Series A common stock, each as a class, would represent in the Company on a post-transaction basis. This percentage interest was the key factor in determining the redemption price. To arrive at the appropriate ownership percentage for the holders of Series A common stock, it was agreed that $9.4 million of the Series D investment would redeem 3,381,295 shares of Series A common stock at a redemption price of $2.78 per share. A redemption price of more or less than $2.78 per share would have resulted in the holders of Series A common stock, as a class, owning a larger or smaller percentage of the Company, on a post-transaction basis, than was agreed to in the arm's-length negotiations relating to the Series D investment.

The Company did not consider the Series A redemption value of $2.78 per share to represent the fair value of the Series A common shares at that time because it was the result of the negotiation, the primary purpose of which was to establish the post-financing equity interests. The Series A common valuation of $0.77 per share that was utilized by the Company for other Series A common share transactions at that time was the result of a valuation methodology employed by the Company consistently for all periods in accordance with the AICPA Guide, *Valuation of Privately Held Company Equity Securities*.

No compensation expense was recorded in accordance with SFAS No. 123(R) as the redemption was a negotiated transaction and was not for services rendered by or on behalf of the Company. There was no service requirement in connection with the redemption.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

12. Stockholders' / Members' Deficit (Continued)

In 2006, a majority of the managers of Echo Global Logistics, LLC, elected to make special distributions of $1,030,625 to certain members. These distributions were accounted for as an increase of members' deficit.

Series B Preferred Shares

The Company has authorized 125,000 Series B preferred shares, all of which were issued for proceeds of $125,000 and are outstanding at December 31, 2006, and 2007. The Series B preferred shares are entitled to annual dividends payable at a rate of 6% of the Series B original issue price. The Series B preferred shares also receive a liquidation preference over Series A common shares of 100% of the Series B original issue price plus accrued but unpaid dividends. No common holders shall be paid until all Series B holders' distributions have been satisfied. As of December 31, 2006 and 2007, the accrued preferred dividend due to Series B holders was $12,363 and $19,884, respectively.

The Series B preferred shares can be automatically converted into Series A common shares (i) in the event that holders of at least a 80% of the outstanding shares of Series B preferred stock consent to a conversion or (ii) upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock for the Company's account, or (iii) upon a merger, acquisition, sale of voting control, or a sale of substantially all of the assets of the Company in which shareholders of the Company do not own the majority of the outstanding shares of the surviving corporation where the aggregate proceeds payable to holders of Series D preferred stock equals a per share price not less than 2 times the original purchase price of the Series D preferred stock. The number of shares of Series A common stock to which a Series B preferred stock holder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 1.0) by the number of Series B preferred shares to be converted. The conversion rate for the Series B preferred shares is subject to change in accordance with antidilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2006 and 2007, 125,000 Series A common shares would have been required to be issued upon the conversion of all of the issued and outstanding shares of Series B preferred stock. These shares have been excluded from the calculation of diluted earnings per share for the years ended December 31, 2006 and 2007, as the impact resulting from the conversion and dividends paid would be anti-dilutive.

In determining the appropriate accounting for the conversion feature for the Series B preferred stock, the Company first evaluated the host instrument (i.e. the Series B preferred stock) using the guidance provided by EITF Topic D-109, *Determining the Nature of a Host Contract Related to a Hybrid Financial Instrument Issued in the Form of a Share under FASB Statement No. 133*, to determine whether the Series B preferred stock is considered to be a debt or equity host instrument. In connection with this evaluation, the Company considered the economic characteristics and risks of the host instrument based on all stated or implied substantive terms to assess whether the instrument is deemed more like equity or debt. The Company performed a detailed analysis of the features of the Series B preferred stock including redemption features, dividend rights, voting rights, protective covenants and conversion rights. As a result of its analysis, the Company determined that the Series B preferred stock instrument is deemed to be more akin to an equity instrument. Accordingly, the conversion feature is clearly and

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

12. Stockholders' / Members' Deficit (Continued)

closely related to the Series B preferred stock host instrument and the conversion feature is not within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Additionally, the Company evaluated EITF 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, and EITF 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, to determine if the conversion feature in the Series B preferred stock instrument is considered to be a "beneficial conversion feature" in accordance with the guidance. The conversion feature did not have any intrinsic value at the commitment date (i.e., the date of the agreements) as the conversion rate is equal to or in excess of the fair value of the common stock. As a result, the conversion feature is not considered a beneficial conversion feature within the scope of EITF 98-5 or EITF 00-27.

Series C Preferred Shares

The Company had authorized 3,510,000 of Series C preferred shares, all of which were issued in 2005 for proceeds of $3,478,543, net of issuance costs. In June 2006, in conjunction with the conversion of the Company from a limited liability company to a C corporation, all Series C preferred shares were converted into Series A common shares, at a one-for-one conversion ratio. The cumulative effect of these changes can be seen in the Statement of Stockholders' / Members' Deficit.

Dividends were paid in equal quarterly installments on the Series C preferred shares at an amount equal to 10% of the per share price per year. The Series C preferred shares were also entitled to receive a liquidation preference of 100% of the Series C original issue price plus accrued and unpaid dividends, if any. No Series B preferred or Common A holders would be paid until all Series C holders' distributions were satisfied.

Series D Preferred Shares

In June 2006, the Company entered into an agreement with New Enterprise Associates (NEA) and affiliates of the Nazarian family whereby NEA and affiliates of the Nazarian family agreed to purchase 6,258,993 shares of the Company's Series D preferred stock for $17.4 million, or $2.78 per share, which resulted in proceeds received by the Company of $17,053,169, net of issuance costs. All of the shares were outstanding at December 31, 2006 and 2007.

Affiliates of the Nazarian family were previous investors in the Company, but had not provided services to or participated in other transactions with the Company. NEA was a private investor that had not previously participated in any investment or other transactions with the Company. There are no related parties of the Company that hold an ownership interest in NEA or entities used by affiliates of the Nazarian family to invest in the Series D preferred shares.

The value of the Series D preferred stock, based on arm's-length negotiations with NEA and affiliates of the Nazarian family, was determined to be $2.78 per share. Factors contributing to a value that exceeded that of the Series A common stock were: (a) rights of first refusal and co-sale rights; (b) board representation rights; (c) information and inspection rights; (d) registration rights; (e) indemnification rights; (f) a liquidation preference equal to 150% of the Series D issuance price, (g) optional redemption rights; (h) a 6% accruing dividend; and (i) weighted average anti-dilution protection. The value of the Class A common stock was determined in accordance with the guidance

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

12. Stockholders' / Members' Deficit (Continued)

outlined in the AICPA Guide *Valuation of Privately Held Company Equity Securities Issued as Compensation*" and was consistently applied by the Company for all periods presented.

The Series D preferred shares are entitled to annual dividends payable at a rate of 6% of the Series D original issue price. The Series D preferred shares also receive a liquidation preference of 150% of the Series D original issue price plus any accrued but unpaid dividends. No Series A or Series B holders shall be paid until all Series D holders' distributions are satisfied. As of December 31, 2006 and 2007, the accrued preferred dividend due to Series D holders was $594,937 and $1,641,797, respectively.

The Series D preferred stock is fully redeemable at the greater of cost, plus accrued but unpaid dividends, or the fair market value of the shares agreed to by the Board and the holders any time on or after the 5 year anniversary of the closing of the Series D preferred stock financing, or June 7, 2011. A majority of the then outstanding Series D preferred stock holders must consent to this redemption.

The Series D preferred stock can be automatically converted into Series A common stock (i) in the event that holders of at least a majority of the outstanding shares of Series D preferred stock consent to a conversion or (ii) upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock for the Company's account, at a per share price not less than (a) 2 times the original purchase price of the Series D preferred stock, and (b) for a total offering not less than $25 million (before deduction of underwriters commission and expenses), or (iii) upon a merger, acquisition, sale of voting control, or a sale of substantially all of the assets of the Company in which shareholders of the Company do not own the majority of the outstanding shares of the surviving corporation where the aggregate proceeds payable to holders of Series D preferred shares equals a per share price not less than 2 times the original purchase price of the Series D preferred stock. The number of shares of Series A common stock to which a Series D preferred stock holder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect by the number of Series D preferred shares to be converted. The conversion rate for the Series D preferred shares is subject to change in accordance with antidilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2006 and 2007, 6,258,993 Series A common shares would have been required to be issued upon the conversion of all of the issued and outstanding shares of Series D preferred stock. These shares have been excluded from the calculation of diluted earnings per share for the year ended December 31, 2006 and December 31, 2007, as the impact resulting from the conversion and dividends paid would be anti-dilutive.

In determining the appropriate accounting for the conversion feature for the Series D preferred stock, the Company first evaluated the host instrument (i.e. the Series D preferred stock) using the guidance provided by EITF Topic D-109, *Determining the Nature of a Host Contract Related to a Hybrid Financial Instrument Issued in the Form of a Share under FASB Statement No. 133*, to determine whether the Series D preferred stock is considered to be a debt or equity host instrument. In connection with this evaluation, the Company considered the economic characteristics and risks of the host instrument based on all stated or implied substantive terms to assess whether the instrument is deemed more like equity or debt. The Company performed a detailed analysis of the features of the Series B preferred

12. Stockholders' / Members' Deficit (Continued)

stock including redemption features, dividend rights, voting rights, protective covenants and conversion rights. As a result of its analysis, the Company determined that the Series D preferred stock instrument is deemed to be more akin to an equity instrument. Accordingly, the conversion feature is clearly and closely related to the Series D preferred stock host instrument and the conversion feature is not within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

Additionally, the Company evaluated EITF 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, and EITF 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, to determine if the conversion feature in the Series D preferred stock instrument is considered to be a "beneficial conversion feature" in accordance with the guidance. The conversion feature did not have any intrinsic value at the commitment date (i.e., the date of the agreements) as the conversion rate is equal to or in excess of the fair value of the common stock. As a result, the conversion feature is not considered a beneficial conversion feature within the scope of EITF 98-5 or EITF 00-27.

Unvested Series A Common Stock

The Company sold an aggregate amount of 1,410,000 unvested shares of Series A common stock in 2006 and 2007 to certain members of management and the board of directors for $390,500. The shares vest over a period of one to three years, and the Company has the right to repurchase these shares if a service requirement is not met. The Company sold the unvested common shares at prices ranging from $0.25 to $4.05 per share, which were equal to fair value at the time of each transaction. As a result, no compensation expense was recorded related to these transactions.

As of December 31, 2006 and 2007, the total number of these shares that had vested was 166,666 and 513,333, respectively. Upon vesting, the shares are classified as outstanding shares and reflected in the statement of stockholders' deficit. Prior to vesting, the payment received for the portion of shares that is unvested is classified as a current liability on the balance sheet. As of December 31, 2006 and 2007, amounts due to stockholders holding unvested Series A common stock totaled $308,334 and $262,167, respectively.

13. Earnings (Loss) Per Share

Basic earnings per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average shares outstanding plus share equivalents that would arise from the exercise of share options and the conversion of preferred shares. Conversion of 3,635,000 of Series B and C preferred shares were excluded from the calculation in 2005, 7,846,493 of Series B, D and the pro rata portion of Series C (prior to its conversion to common shares) preferred stock were excluded from the calculation in 2006, and 6,383,993 of Series B and D preferred shares were excluded from the calculation in 2007, as they were anti-dilutive. Employee stock options and unvested shares totalling 221,695 and 1,276,825 for 2005 and 2006, respectively, were excluded from the calculation of diluted earnings (loss) per share as they were anti-dilutive.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

13. Earnings (Loss) Per Share (Continued)

The computation of basic and diluted earnings (loss) per common share for the years ended December 31, 2005, 2006, and 2007, is as follows:

	Year Ended December 31		
	2005	**2006**	**2007**
Numerator:			
Income (loss) from continuing operations	$ (512,656)	$ (31,798)	$ 1,728,536
Preferred stock dividends	(153,735)	(748,654)	(1,054,381)
Income (loss) from continuing operations applicable to common shareholders	(666,391)	(780,452)	674,155
Loss from discontinued operations		(214,444)	
Net income (loss) applicable to common shareholders	$ (666,391)	$ (994,896)	$ 674,155
Denominator:			
Denominator for basic earnings per share weighted-average shares	21,548,161	22,387,886	23,425,286
Effect of dilutive securities - Employee stock options			1,479,427
Denominator for dilutive earnings per share	21,548,161	22,387,886	24,904,713
Basic income (loss) from continuing operations per common share	$ (0.03)	$ (0.03)	$ 0.03
Basic income (loss) from discontinued operations per common share	$	$ (0.01)	$
Basic net income (loss) per common share	$ (0.03)	$ (0.04)	$ 0.03
Diluted income (loss) from continuing operations per common share	$ (0.03)	$ (0.03)	$ 0.03
Diluted income (loss) from discontinued operations per common share	$	$ (0.01)	$
Diluted net income (loss) per common share	$ (0.03)	$ (0.04)	$ 0.03

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

13. Earnings (Loss) Per Share (Continued)

Pro Forma Earnings Per Share

Pro forma earnings per share has been adjusted for the provision for income taxes resulting from the Company's conversion from a limited liability company to a C Corporation in June 2006. In addition, the preferred stock dividends have been added back to net income, assuming the conversion of all preferred shares occurred at the beginning of the most recently completed fiscal year. The benefit for income taxes has been added to net income as if the conversion to a C Corporation had occurred in March 2005, the month in which the Company commenced operations. The shares used in computing pro forma earnings per share for the year ended December 31, 2007 have been adjusted to reflect shares assumed to have been issued resulting in proceeds to pay for the accrued preferred stock dividends.

	Year Ended December 31		
	2005	**2006**	**2007**
Numerator:			
Historical net income (loss) applicable to common shareholders	$ (666,391)	$ (994,896)	$ 674,155
Effect of dilutive securities:			
Benefit (expense) for income taxes	205,062	(33,605)	
Preferred stock dividends			1,054,381
	205,062	(33,605)	1,054,381
Pro forma numerator for basic and diluted earnings per share	$ (461,329)	$ (1,028,501)	$ 1,728,536
Denominator:			
Historical denominator for basic earnings per share weighted- average shares	21,548,161	22,387,886	23,425,286
Effect of pro forma adjustments:			
Payment of preferred stock dividends			
Conversion of preferred to common shares			6,383,993
Denominator for pro forma basic earnings per share	21,548,161	22,387,886	29,809,279
Effect of dilutive securities:			
Employee stock options			1,479,427
Denominator for pro forma diluted earnings per share	21,548,161	22,387,886	31,288,706
Pro forma basic earnings per share	$ (0.02)	$ (0.05)	$ 0.06
Pro forma diluted earnings per share	$ (0.02)	$ (0.05)	$ 0.06

The pro forma earnings per share computation does not include of incremental shares to be issued in connection with the Company's initial public offering.

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Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. Stock-Based Compensation Plans

In March 2005, the Company adopted the 2005 Stock Option Plan providing for the issuance of stock options of Series A common shares. Under the Plan, the Company may issue options, at the discretion of the Board, to purchase Series A common shares. The Plan is administered by the Board of Directors who determine the exercise price of options, number of options to be issued, and the vesting period. As specified in the Plan, the exercise price per share shall not be less than the fair market value on the effective date of grant. The term of an option does not exceed ten years, and the options generally vest ratably over one to five years from the date of grant.

Using the Black-Scholes-Merton option valuation model and the assumptions listed below, the Company recorded $71,484 and $323,044 in compensation expense with corresponding tax benefits of $27,879 and $125,987 for the twelve months ended December 31, 2006 and 2007, respectively. The adoption of SFAS No. 123(R) as of January 1, 2006 decreased the Company's income before taxes and net income in 2006 by $71,484 and $43,605, respectively, resulting in no change in basic or diluted earnings per share.

The following assumptions were utilized in the valuation for options granted in 2006 and 2007:

	2006	2007
Dividend yield	%	%
Risk-free interest rate	4.42% - 5.09%	4.56% - 5.03%
Weighted average expected life	6.6 years	6.7 years
Volatility	33.5%	33.5%

A summary of stock option activity is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at March 1, 2005 (the date operations commenced):				
Granted	330,000	$ 0.06		
Exercised				
Forfeited or cancelled				
Outstanding at December 31, 2005:	330,000	$ 0.06	9.2	$ 61,200
Granted	1,550,000	$ 1.71		
Exercised	100,000	$ 2.88		
Forfeited or cancelled	85,000	$ 0.01		
Outstanding at December 31, 2006:	1,695,000	$ 1.41	9.6	$ 315,700
Granted	1,075,500	$ 3.74		
Exercised	70,000	$ 0.01		
Forfeited or cancelled	35,000	$ 0.01		
Outstanding at December 31, 2007	2,665,500	$ 2.40	9.0	$ 5,324,700
Options vested and exercisable at December 31, 2007	630,000	$ 1.48	8.6	$ 1,839,950

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. Stock-Based Compensation Plans (Continued)

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

	2005	2006	2007
Options granted:			
Range of exercise prices per share of options granted	$0.01 - $0.25	$0.77 - $2.88	$1.08 - $4.40
Weighted average grant-date fair value per share	$	$ 0.26	$ 1.59
Options vested / exercisable:			
Grant date fair value of options vested	$	$ 41,000	$ 153,200
Aggregate intrinsic value of options vested and exercisable at end of the period	$	$ 68,200	$ 1,839,950

The aggregate intrinsic value of options outstanding and exercisable represents the total pre-tax intrinsic value (the difference between the fair value of the Company's stock on the last day of each fiscal year and the exercise price, multiplied by the number of options where the exercise price exceeds the fair value) that would have been received by the option holders had all option holders exercised their options as of December 31, 2005, 2006 and 2007, respectively. These amounts change based on the fair market value of the Company's stock, which was $0.25, $1.08, and $4.40 on the last business day of the years ended December 31, 2005, 2006, and 2007, respectively.

The Company accounted for stock-based compensation during 2005 in accordance with APB Opinion No. 25. The Company granted 330,000 options during this period at exercise prices ranging from $0.01 to $0.25 per share, which were at or above fair market value. As a result, there was no intrinsic value associated with these option grants. Pursuant to APB Opinion No. 25, the Company was not required to record any compensation expense in connection with these option grants.

The Company granted 1,550,000 options during 2006 at exercise prices ranging from $0.77 to $2.88 per share. The Company utilized a discounted cash flow method to determine that its common stock had a fair value per share of $0.26, $0.77, $1.06 and $1.08 as of March 31, June 30, September 30, and December 31, 2006, respectively. The Company's revenue in 2006 was $33.2 million, compared to $7.3 million in 2005, and the increase in the value of the Company's common stock attributable to the growth of the business was reflected accordingly. All options granted during 2006 had exercise prices that were at or above fair market value.

The Company granted 178,500 options during the six months ended June 30, 2007 at exercise prices ranging from $1.08 to $3.50 per share, which were at or above the fair value of its common stock. The Company granted 667,000 options between July 1, 2007 and September 30, 2007 at exercise prices ranging from $4.00 to $4.05 per share, which was at or above the fair value of its common stock. The fair values of the Company's common stock for options granted from January 1, 2007 to September 30, 2007 were determined through the contemporaneous application of a discounted cash flow method performed by its management and approved by its board of directors. In November 2007, a contemporaneous valuation of the Company's common stock was performed using a discounted cash flow debt-free method under the income approach to determine that the fair value of its common stock was $4.40 per share. During the fourth quarter of 2007, the Company granted 230,000 options at an exercise price of $4.40 per share. The Company's revenue was $95.5 million in 2007, compared to

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. Stock-Based Compensation Plans (Continued)

$33.2 million in 2006, and the increase in the value of its common stock attributable to the growth of our business was reflected accordingly.

In the three months ended March 31, 2008, the Company granted 30,000 options at an exercise price of $10.00 per share, which was above the fair value of its common stock. Management determined the fair value of the Company's common stock through the contemporaneous application of a discounted cash flow methodology.

In 2007, the Company granted options with exercise prices ranging from $1.08 to $4.40 per share. The Company determined that the fair value of its common stock increased from $1.08 to $4.40 per share in 2007. The reasons for this increase are as follows:

In the fourth quarter of 2006, the following significant events occurred which had an effect on the fair value of the Company's common stock in 2007: (1) Samuel K. Skinner, the former Secretary of Transportation and Chief of Staff of the United States of America, was appointed as the Company's Chairman, (2) Douglas R. Waggoner, former Chief Executive Officer of USF Bestway, was appointed as the Company's Chief Executive Officer, (3) the Company launched its transactional call center and (4) the Company signed five new enterprise accounts.

In the first quarter of 2007, the following significant events occurred: (1) the Company signed seven new enterprise accounts, (2) the Company launched its upgraded technolgy platform, Optimizer, which formed the basis of the back office software application today referred to as the ETM technology platform and (3) the Company unveiled its EchoTrak customer web portal, which allowed it to deploy the application to thousands of external users via the internet and also dramatically reduced internal administrative costs associated with supporting its enterprise clients.

In the second quarter of 2007, the following significant events occurred: (1) the Company signed eight new enterprise accounts and (2) the Company completed its acquisition of Mountain Logistics, Inc., which provided it with access to approximately 200 clients, 43 sales agents and a presence in the West Coast market.

In the third quarter of 2007, the following significant events occurred: (1) the Company signed eight new enterprise accounts, (2) the Company completed its acquisition of Bestway, which provided it with access to approximately 100 clients and a presence in the Pacific Northwest, and (3) the Company's transactional call center was reconfigured into a regional structure, and the Company increased its staffing plan to approximately 50 new sales representatives per quarter.

In the fourth quarter of 2007, the following significant events occurred: (1) the Company signed 12 new enterprise accounts, (2) the Company released EchoTrak 2.0, which included significant enhancements to its pricing engine allowing it to scale more rapidly by offering an improved LTL pricing interface and (3) the Company engaged investment bankers to initiate the initial public offering process and began drafting its registration statement.

The factors stated above and the expected net proceeds from this offering impacted the Company's growth strategies which in turn led to an increase in its revenue and profitablity projections, as a portion of the new capital will be used to expand its sales force, enhance its technology and acquire or make strategic investments in complementary businesses. Accordingly, the fair value of the Company's common stock increased from $4.40 per share at December 31, 2007 to $5.86 per share at March 31, 2008.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

14. Stock-Based Compensation Plans (Continued)

Determining the fair value of the Company's common stock required making complex and subjective judgments. The discounted cash flow method values the business by discounting future available cash flows to present value at an approximate rate of return. The cash flows are determined using forecasts of revenue, net income and debt-free future cash flow. The Company's revenue forecasts were based on expected annual growth rates ranging from 20% to 75%. The assumptions underlying the forecasts were consistent with the Company's business plan. The Company applied a discount rate of 20% to calculate the present value of its future available cash flows which was determined by the Company through utilization of the Capital Asset Pricing Model for companies in the "expansion" stage of development. The Company also applied a 5% lack of marketability discount to its enterprise value, which took into account that investments in private companies are less liquid than similar investments in public companies. The resulting value was allocated to the Company's common stock outstanding. There is inherent uncertainty in these estimates.

As of December 31, 2007, there was $1,726,227 of total unrecognized compensation costs related to the stock-based compensation granted under the Plans. This cost is expected to be recognized over a weighted average period of 3.1 years. The stock-based compensation expense recorded for the years ended December 31, 2006 and 2007 was $71,484 and $323,044, respectively.

15. Benefit Plans

The Company adopted a 401(k) savings plan effective September 1, 2005, covering all of the Company's employees upon completion of 90 days of service. Employees may contribute a percentage of eligible compensation on both a before-tax basis and an after-tax basis. The Company has the right to make discretionary contributions to the plan. For the years ended December 31, 2005, 2006 and 2007, the Company did not make any contributions to the plan.

16. Significant Customer Concentration

Revenue from Archway Marketing Services accounted for 36%, 36% and 16% of the Company's total revenue for the years ended December 31, 2005, 2006 and 2007, respectively. Revenue from Cenveo accounted for 27% and 11% of the Company's total revenue for the years ended December 31, 2006 and 2007, respectively. All remaining revenue for the years ending December 31, 2005, 2006, and 2007, consisted of revenue generated from customers that were individually less than 10% of the Company's total revenue in those periods.

17. Related Parties

In January 2007, the Company entered into a consulting agreement with Holden Ventures, LLC, a consulting firm owned and operated by Bradley A. Keywell, one of the Company's principal stockholders. The Company paid $78,140 and $131,431 to Holden Ventures and Mr. Keywell for services rendered and reimbursement of certain travel and entertainment expenses incurred on its behalf in 2006 and 2007, repectively. The Company terminated the consulting agreement as of December 31, 2007.

In 2007, the Company also granted Holden Ventures the right to purchase 500,000 shares of its common stock for $1.10 per share, which was equal to the fair value of the Company's common stock. The Company determined the fair value of its common stock through the contemporaneous application of a discounted cash flow methodology by management. Holden Ventures exercised its right to

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

17. Related Parties (Continued)

purchase these shares in February 2007. The shares were purchased at fair value and, as such, were accounted for as a noncompensatory equity transaction resulting in no compensation expense.

In August 2007, in connection with Mr. Keywell's service on the Company's board of directors, it granted an option to purchase 200,000 shares of its common stock at an exercise price of $4.05 per share to Holden Ventures, LLC which vests in equal annual installments on March 15, 2008, 2009 and 2010. The exercise price was equal to the fair value of the Company's common stock determined through the contemporaneous application of a discounted cash flow methodology by management. The options are being accounted for in accordance with SFAS No. 123(R), as they were granted to a board member who is required to provide service in order for the options to vest and become exercisable. The Company used the Black-Scholes-Merton option valuation model to determine the compensation costs, which are being amortized ratably over the vesting period and recorded as an increase to selling, general and administrative expenses in the consolidated statements of income.

Certain stockholders and directors of the Company have a direct and/or indirect ownership interest in InnerWorkings, Inc. (InnerWorkings), a publicly traded company that provides print procurement services. InnerWorkings is one of the Company's stockholders. As of December 31, 2007, InnerWorkings owned 2,000,000 shares of the Company's common stock, or 5.8% of total shares outstanding on a fully-diluted basis, which it acquired in March 2005 for $125,000.

InnerWorkings provided general management services to the Company in 2005 and 2006, including financial management, legal, accounting, tax, treasury, employee benefit plan, and marketing services, which were billed based on the percentage of time InnerWorkings' employees spent on these services. InnerWorkings also subleases a portion of its office space to the Company. In November 2005, the Company entered into a sublease agreement with InnerWorkings and Incorp, LLC to sublease a portion of InnerWorkings' office space for approximately $7,500 per month and increased the amount of space subleased in January 2007 with an increase in lease payments to approximately $17,000 per month. The sub-lease agreement expired without penalty in April 2007. In June 2007, the Company entered into a new agreement with InnerWorkings to sublease a portion of InnerWorkings' office space for approximately $14,000 per month in 2007 with monthly payments escalating to approximately $19,000 per month in 2008, $21,000 per month in 2009, and 2% annually thereafter. The agreement requires either party to provide 12 months notice in advance of cancelling the sublease. The total expenses incurred for subleased office space during the years ended December 31, 2005, 2006, and 2007, were $95,565, $126,697, and $178,080, respectively. Innerworkings has also provided print procurement services to the Company during 2005, 2006, and 2007. As consideration for these services, the Company incurred expenses of $4,493, $35,061, and $88,246 for the years ended December 31, 2005, 2006, and 2007, respectively.

The Company provided InnerWorkings transportation and logistics services during 2005, 2006, and 2007 and has billed InnerWorkings $264,387, $625,762, and $748,636, respectively, for such services during the years ended December 31, 2005, 2006, and 2007. Effective October 1, 2006, the Company entered into a referral agreement with InnerWorkings whereby the Company agreed to pay InnerWorkings a fee equal to 5% of gross profit from shipments generated from clients that were referred to the Company by InnerWorkings, subject to a $75,000 cap per year per client referred. The Company incurred referral fees of approximately $62,076 and $75,000 for the years ended December 31, 2006 and 2007, respectively. The Company terminated this agreement on February 18, 2008.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

17. Related Parties (Continued)

In June 2006, the Company entered into a supplier rebate program with InnerWorkings, pursuant to which it provides InnerWorkings with an annual rebate on all freight expenditures in an amount equal to 5% of revenue received from InnerWorkings. In April 2008, the Company amended the terms of this rebate program to provide InnerWorkings with an annual rebate on all freight expenditures in an amount equal to 3% of revenue received from InnerWorkings, plus an additional 2% of revenue for amounts paid within fifteen days. Total supplier rebates to InnerWorkings were $12,314 and $14,970 in 2006 and 2007, respectively.

As of December 31, 2006 and 2007, the Company has a net receivable due from InnerWorkings of $80,643 and $109,249, respectively, which is included in accounts receivable in the balance sheet. Additionally, as of December 31, 2006 and 2007, the Company has advances due to InnerWorkings of $64,320 and $13,324, respectively.

The Company subleases a portion of its office space to MediaBank, LLC (MediaBank), a provider of integrated procurement technology and analytics to the advertising industry whose investors include certain stockholders and directors of the Company. Effective April 1, 2007, the Company entered into an agreement to sublease a portion of its office space to MediaBank. An amended agreement was entered into effective July 1, 2007, whereby the Company subleases a portion of its office space to MediaBank. The agreement requires either party to provide 12 months notice in advance of cancelling the sublease. For the year ended December 31, 2007, the Company received $72,551 of sublease rental income. The Company had no amounts due to or from MediaBank as of December 31, 2007.

In March 2007, the Company acquired certain assets of SelecTrans, LLC (SelectTrans), a freight management software provider based in Lake Forest, Illinois for $350,000 in cash and 150,000 shares of common stock (fair value of $162,000 based on a per share value of $1.08, which the Company determined through the contemporaneous application of a discounted cash flow methodology by management). An officer of the Company had founded SelecTrans in December 2005 and served as its Chief Executive Officer until it was acquired.

18. Quarterly Financial Data (Unaudited)

	Year Ended December 31, 2007			
	First Quarter	**Second Quarter(1)**	**Third Quarter**	**Fourth Quarter(2)**
Revenue	$ 12,888,840	$ 21,353,583	$ 27,697,728	$ 33,520,834
Gross profit	2,515,824	4,608,873	6,180,542	7,579,808
Net income	183,891	398,131	614,674	531,840
Net income (loss) applicable to common stockholders	(78,264)	135,976	349,638	266,805
Net income per share:				
Basic	$	$ 0.01	$ 0.01	$ 0.01
Diluted	$	$ 0.01	$ 0.01	$ 0.01

Echo Global Logistics, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

18. Quarterly Financial Data (Unaudited) (Continued)

	Year Ended December 31, 2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 5,073,230	$ 7,443,161	$ 9,339,904	$ 11,338,124
Gross profit	917,826	1,122,285	1,564,848	1,885,832
Net income (loss)	5,798	(56,915)	118,488	(313,613)
Net income (loss) applicable to common stockholders	(83,767)	(185,934)	(146,546)	(578,649)
Net income (loss) per share:				
Basic	$	$ (0.01)	$ (0.01)	$ (0.03)
Diluted	$	$ (0.01)	$ (0.01)	$ (0.03)

(1) The Company acquired Mountain Logistics, Inc. in May 2007 and financial results of this acquisition are included in the consolidated financial statements beginning May 1, 2007.

(2) The Company acquired Bestway Solutions, LLC in October 2007 and financial results of this acquisition are included in the consolidated financial statements beginning October 1, 2007.

19. Legal Matters

In the normal course of business, the Company is subject to potential claims and disputes related to its business, including claims for freight lost or damaged in transit. Some of these matters may be covered by the Company's insurance and risk management programs or may result in claims or adjustments with our carriers. Management does not believe that the outcome of such matters will have a materially adverse effect on its financial position or results of operations.

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31, 2007	March 31, 2008 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,568,559	$ 2,835,781
Accounts receivable, net of allowance for doubtful accounts of $430,150 at December 31, 2007 and $373,434 at March 31, 2008	13,849,583	17,254,598
Prepaid expenses	1,280,387	2,203,401
Total current assets	16,698,529	22,293,780
Property and equipment, net	4,646,737	5,443,699
Intangibles and other assets:		
Goodwill	1,854,926	1,871,181
Intangible assets, net of accumulated amortization of $477,183 at December 31, 2007 and $663,506 at March 31, 2008	2,918,817	2,732,494
Deferred income taxes	1,227,705	676,789
Other assets	217,182	1,197,275
Total assets	$ 27,563,896	$ 34,215,218
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable-trade	$ 9,164,565	$ 13,525,440
Accrued expenses	2,403,233	3,222,313
Advances from related parties	13,324	12,971
Current maturities of capital lease obligations	77,139	123,297
Amounts due to restricted stockholders	262,167	205,917
Deferred income taxes	178,080	207,457
Total current liabilities	12,098,508	17,297,395
Capital lease obligations, net of current maturities	223,822	350,728
Commitments and contingencies		
Total liabilities	12,322,330	17,648,123
Series D, convertible preferred shares, $.0001 par value, 6,258,993 shares authorized, 6,258,993 shares issued and outstanding at December 31, 2007 and March 31, 2008; liquidation preference of $26,100,000	18,694,966	18,955,251
Stockholders' deficit		
Series B, convertible preferred shares, $.0001 par value, 125,000 shares authorized, 125,000 shares issued and outstanding at December 31, 2007 and March 31, 2007; liquidation preference of $125,000	19,896	21,766
Series A common, par value $0.0001 per share, 35,000,000 shares authorized, 23,845,038 shares issued and outstanding at December 31, 2007; 35,000,000 shares authorized, 24,125,038 shares issued and outstanding at March 31, 2008	2,385	2,413
Stockholder receivable	(2,405)	(2,405)

	December 31, 2007	March 31, 2008 (Unaudited)
Additional paid-in capital	(3,357,677)	(2,937,888)
Retained earnings/(Accumulated deficit)	(115,599)	527,958
Total stockholders' deficit	(3,453,400)	(2,388,156)
Total liabilities and stockholders' deficit	$ 27,563,896	$ 34,215,218

See notes to unaudited consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Statements of Income

(Unaudited)

	Three Months Ended March 31,	
	2007	**2008**
Revenue:		
Transportation	$ 12,693,802	$ 38,387,747
Fee for services	195,038	541,236
Total revenue	12,888,840	38,928,983
Transportation costs	10,373,015	30,175,327
Gross profit	2,515,825	8,753,656
Operating expenses:		
Selling, general, and administrative expenses	2,044,452	6,547,113
Depreciation and amortization	256,679	705,046
Income from operations	214,694	1,501,497
Other income (expense):		
Interest income	92,614	15,009
Interest expense		(6,380)
Other, net	(1,302)	(9,614)
Total other income (expense)	91,312	(985)
Income before income taxes	306,006	1,500,512
Income tax benefit (expense)	(122,114)	(594,800)
Net income	183,892	905,712
Dividends on preferred shares	(262,155)	(262,155)
Net income (loss) applicable to common stockholders	$ (78,263)	$ 643,557
Basic net income (loss) per share	$	$ 0.03
Diluted net income (loss) per share	$	$ 0.03
Pro forma basic earnings per share (Note 6)	$ 0.01	$ 0.03
Pro forma diluted earnings per share (Note 6)	$ 0.01	$ 0.03

See notes to unaudited consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit

	Common A		Series B Preferred					
	Shares	Amount	Shares	Amount	Shareholders' Receivables	APIC	Retained Earnings/ (Accumulated Deficit)	Total
Balance at December 31, 2007	23,845,038	$ 2,385	125,000	$ 19,896	$ (2,405)	$ (3,357,677)	$ (115,599)	$ (3,453,400)
Proceeds from issuance of shares	50,000	5				219,995		220,000
Vesting of restricted shares	225,000	22				56,227		56,249
Exercise of stock options	5,000	1				49		50
Tax benefit from exercise of stock options						8,470		8,470
Preferred Series B dividends				1,870			(1,870)	
Preferred Series D dividends							(260,285)	(260,285)
Share compensation expense						135,048		135,048
Net income							905,712	905,712
Balance at March 31, 2008	24,125,038	$ 2,413	125,000	$ 21,766	$ (2,405)	$ (2,937,888)	$ 527,958	$ (2,388,156)

Echo Global Logistics, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31,	
	2007	**2008**
Operating activities		
Net income	$ 183,892	$ 905,712
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income taxes	122,114	580,293
Noncash stock compensation expense	76,246	135,048
Depreciation and amortization	256,679	705,046
Change in assets:		
Accounts receivable	(1,856,846)	(3,405,015)
Prepaid expenses and other assets	(190,611)	(1,903,108)
Change in liabilities, net of acquisitions:		
Accounts payable	806,549	4,360,875
Accrued expenses and other	248,440	819,080
Net cash provided by (used in) operating activities	(353,537)	2,197,931
Investing activities		
Purchases of property and equipment	(1,151,663)	(1,118,891)
Net cash used in investing activities	(1,151,663)	(1,118,891)
Financing activities		
Principal payments on capital lease obligations		(39,985)
Tax benefit of stock options exercised		8,470
Advances (repayment) to related parties	(64,320)	(353)
Issuance of shares, net of issuance costs		220,050
Net cash provided by (used in) financing activities	(64,320)	188,182
Increase (decrease) in cash and cash equivalents	(1,569,520)	1,267,222
Cash and cash equivalents, beginning of period	8,852,968	1,568,559
Cash and cash equivalents, end of period	$ 7,283,448	$ 2,835,781
Non-cash investing activity		
Issuance of common stock in connection with SelecTrans acquisition	162,000	
Purchase of furniture and equipment under capital lease		213,049

See notes to unaudited consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements

Three Months Ended March 31, 2008 and 2007

1. Summary of Significant Accounting Policies

Basis of Presentation and Preparation of Financial Statements

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

The preparation of the consolidated financial statements is in conformity with accounting principles generally accepted in the United States for interim financial information. In the opinion of management, the accompanying unaudited financial statements reflect all adjustments considered necessary for a fair presentation of the results for the period and those adjustments are of a normal recurring nature. The operating results for the three months ended March 31, 2008 are not necessarily indicative of the results expected for the full year of 2008. These interim consolidated financial statements should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes included in this Form S-1 Registration Statement.

2. New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51, *Consolidated Financial Statements*. SFAS No. 160 establishes accounting and reporting guidance for a noncontrolling ownership interest in a subsidiary and deconsolidation of a subsidiary. The standard requires that a noncontrolling ownership interest in a subsidiary be reported as equity in the consolidated statement of financial position and any related net income attributable to the parent be presented on the face of the consolidated statement of income. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year that begins after December 15, 2008. The Company will be required to adopt SFAS No. 160 on January 1, 2009, and does not expect the standard to have a material effect on its consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, which replaces SFAS No. 141, *Business Combinations*, and establishes principles and requirements for how an acquirer: (1) recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in a business combination or gain from a bargain purchase; and (3) determines what information to disclose. SFAS No. 141(R) is effective for business combinations in which the acquisition date is in the first fiscal year after December 15, 2008. The Company will be required to adopt SFAS No. 141(R) on January 1, 2009. The Company is currently evaluating the impact, if any, SFAS No. 141(R) will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

2. New Accounting Pronouncements (Continued)

interim periods within those fiscal years. Delayed application of this Statement is permitted for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. This Statement was adopted by the Company on January 1, 2008. The adoption of SFAS No. 157 did not have a material effect on the Company's consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. SFAS No. 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS No. 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. If the use of the fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS No. 159, changes in fair value are recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and therefore was adopted by the Company on January 1, 2008. The Company has not elected to use fair value for measuring financial assets and financial liabilities.

3. Acquisitions

Mountain Logistics Acquisition

Effective May 1, 2007, the Company acquired Mountain Logistics, Inc. (which was doing business as Transportation Management Group but now operates under the Echo name), a non-asset based third-party logistics provider with offices in Park City, Utah and Los Angeles, California. As a result of the acquisition, the Company believes it has established a significant presence in the West Coast market by gaining over 200 West Coast clients and 43 sales agents. The acquisition provided the Company with a strategic entry into new geographies and an assembled workforce that has significant experience and knowledge of the industry. The purchase price was $4.3 million, consisting of $4.25 million cash paid and expenses incurred directly related to the acquisition. An additional $6.45 million in cash may become payable and 550,000 unvested common shares may vest contingent upon the achievement of certain performance measures by or prior to May 31, 2010. The Company will repurchase all of the unvested common shares for an aggregate price of $1.00 if the performance measures are not satisfied by May 31, 2010. The performance measures are based on both annual and cumulative targets of gross profit recognized less commission expense incurred. The additional contingent consideration will be recorded as goodwill on the balance sheet when those liabilities are resolved and distributable.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The customer relationships have a life of 5 years, the non-compete agreements have a weighted average life of 10 months, and the trade names have a life of 3 years. The goodwill is fully deductible for U.S. income tax purposes. The allocation of the purchase price is based on preliminary estimates and assumptions and is subject to revision when valuation plans are finalized. The purchase price allocation was substantially finalized as of March 31, 2008. Revisions to the

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

3. Acquisitions (Continued)

purchase price allocation, if any, are expected to be insignificant and will be recorded in a future period as increases or decreases to amounts previously reported.

Current assets (including cash of $348,039)	$	2,859,710
Property and equipment		55,491
Customer relationships		2,720,000
Non-compete agreements		69,000
Trade names		190,000
Goodwill		1,230,966
Liabilities assumed		(2,805,871)
Net assets acquired	$	4,319,296

The following unaudited pro forma information presents a summary of the Company's consolidated statements of operations for the three months ended March 31, 2007 as if the Company had acquired Mountain Logistics as of January 1.

		For the Three Months Ended March 31, 2007
Revenue	$	18,510,203
Income from operations		306,346
Net income		209,768
Net income (loss) applicable to common shareholders		(52,387)
Basic earnings per share		
Diluted earnings per share		

Bestway Acquisition

Effective October 1, 2007, the Company acquired Bestway Solutions LLC, a non-asset based third-party logistics provider located in Vancouver, Washington. As a result of the acquisition, the Company brings a Pacific Northwest presence to its customer and carrier base. The acquisition provided the Company with a strategic entry into new geographies and an assembled workforce that has significant experience and knowledge of the industry. The purchase price was $1.1 million, consisting of $834,000 of cash, 50,000 shares of restricted common stock issued (fair value of $214,500), and expenses incurred directly related to the acquisition. The fair value of the common stock was $4.29 per share, as determined contemporaneously by the Company through application of a discounted cash flow methodology. An additional $303,300 in cash may become payable contingent upon the achievement of certain performance measures by or prior to September 30, 2010. The performance measures are based on annual targets of gross profit recognized. The additional contingent consideration will be recorded as goodwill on the balance sheet when those liabilities are resolved and distributable.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The customer relationships have a life of 5 years. The goodwill is fully deductible for U.S. income tax purposes. The allocation of the purchase price is based on preliminary estimates and assumptions and is subject to revision when valuation plans are finalized. The purchase price allocation was substantially finalized as of March 31, 2008. Revisions to the purchase

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

3. Acquisitions (Continued)

price allocation, which are not expected to be significant, will be recorded in a future period as increases or decreases to amounts previously reported.

Current assets	$ 612,328
Property and equipment	38,820
Customer relationships	417,000
Goodwill	623,960
Liabilities assumed	(610,046)
Net assets acquired	$ 1,082,062

4. Goodwill and Other Intangible Assets

The following is a summary of the goodwill:

Balance as of December 31, 2007	$ 1,854,926
Purchase price allocation adjustments	16,255
Balance as of March 31, 2008	$ 1,871,181

The following is a summary of amortizable intangible assets as of March 31,:

	2008	Weighted-Average Life
Customer relationships	$ 3,137,000	5 years
Noncompete agreements	69,000	10 months
Trade names	190,000	3 years
	3,396,000	
Less accumulated amortization	(663,506)	
Intangible assets, net	$ 2,732,494	

Amortization expense related to intangible assets was $186,323 for the three months ended March 31, 2008 and there was no amortization expense for the three months ended March 31, 2007 as these assets were acquired subsequent to March 31, 2007.

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

2008 (includes the three months ended March 31, 2008)	$ 708,290
2009	690,733
2010	648,511
2011	627,400
2012	243,883
Thereafter	
	$ 2,918,817

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

5. Accrued Expenses

The components of accrued expenses at December 31, 2007 and March 31, 2008 are as follows:

	December 31, 2007	March 31, 2008
Accrued commissions	$ 684,861	$ 727,004
Accrued compensation	658,699	575,212
Accrued rebates	577,965	919,465
Other	481,708	1,000,632
Total accrued expenses	$ 2,403,233	$ 3,222,313

6. Earnings (Loss) Per Share

Basic earnings per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by dividing net income (loss) by the weighted average shares outstanding plus share equivalents that would arise from the exercise of share options and the conversion of preferred shares. Conversion of 6,383,993 of Series B and D preferred shares were excluded from the calculation for the three months ended March 31 2007 and 2008, as they were anti-dilutive.

The computation of basic and diluted earnings (loss) per common share for the three months ended March 31, 2007 and 2008 are as follows:

	Three Months Ended March 31,	
	2007	2008
Numerator:		
Net Income	$ 183,892	$ 905,712
Preferred stock dividends	(262,155)	(262,155)
Net income applicable to common shareholders	$ (78,263)	$ 643,557
Denominator:		
Denominator for basic earnings per share weighted-average shares	22,836,237	24,114,271
Effect of dilutive securities:		
Employee stock options		1,301,845
Denominator for dilutive earnings per share	22,836,237	25,416,116
Basic net income (loss) per common share	$	$ 0.03
Diluted net income (loss) per common share	$	$ 0.03

Pro Forma Earnings Per Share

Pro forma earnings per share has been adjusted for preferred stock dividends that have been added back to net income, assuming the conversion of all preferred shares occurred at the beginning of the fiscal year. The shares used in computing pro forma earnings per share for the three months ended

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

6. Earnings (Loss) Per Share (Continued)

March 31, 2008 have been adjusted to reflect shares assumed to have been issued resulting in proceeds to pay for the accrued preferred stock dividends.

	Three Months Ended March 31,	
	2007	2008
Numerator:		
Historical net income applicable to common shareholders	$ (78,263)	$ 643,557
Effect of dilutive securities:		
Preferred stock dividends	262,155	262,155
Pro forma numerator for basic and diluted earnings per share	$ 183,892	$ 905,712
Denominator:		
Historical denominator for basic earnings per share weighted-average shares	22,836,237	24,114,271
Effect of pro forma adjustments:		
Payment of preferred stock dividends		
Conversion of preferred to common shares	6,383,993	6,383,993
Denominator for pro forma basic earnings per share	29,220,230	30,498,264
Effect of dilutive securities:		
Employee stock options		1,301,845
Denominator for pro forma diluted earnings per share	29,220,230	31,800,109
Pro forma basic earnings per share	$ 0.01	$ 0.03
Pro forma diluted earnings per share	$ 0.01	$ 0.03

The pro forma earnings per share computation does not include of incremental shares to be issued in connection with the Company's initial public offering.

7. Stock-Based Compensation Plans

Using the Black-Scholes-Merton option valuation model, the Company recorded $76,246 and $135,048 in compensation expense for the three months ended March 31, 2007 and 2008, respectively. During the three months ended March 31, 2007 and 2008, the Company granted 173,500 and 30,000 options, respectively, to various employees. The following assumptions were utilized in the valuation for options granted during the three months ended March 31, 2007 and 2008:

	2007	2008
Dividend yield	%	%
Risk-free interest rate	4.65%	3.04% 3.54%
Weighted average expected life	6.6 years	7.3 years
Volatility	33.5%	33.5%

8. Related Parties

In January 2007, the Company entered into a consulting agreement with Holden Ventures, LLC, a consulting firm owned and operated by Brad Keywell, one of the Company's principal stockholders.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

8. Related Parties (Continued)

The Company paid $59,792 to Holden Ventures and Mr. Keywell for services rendered and reimbursement of certain travel and entertainment expenses incurred on its behalf for the three months ended March 31, 2007. The Company terminated this agreement as of December 31, 2007.

In 2007, the Company also granted Holden Ventures the right to purchase 500,000 shares of the Company's common stock for $1.10 per share, which was equal to the fair value of the Company's common stock. Holden Ventures exercised its right to purchase these shares in February 2007. The Company determined the fair value of its common stock through the contemporaneous application of a discounted cash flow methodology by its management. The shares were purchased at fair value and, as such, were accounted for as a noncompensatory equity transaction resulting in no compensation expense.

In August 2007, in connection with Mr. Keywell's service on the Company's board of directors, the Company granted an option to purchase 200,000 shares of its common stock at an exercise price of $4.05 per share to Holden Ventures, LLC, which vests in equal annual installments on March 15, 2008, 2009 and 2010. The exercise price was equal to the fair value of the Company's common stock as determined through the contemporaneous application of a discounted cash flow methodology by its management. The options are being accounted for in accordance with SFAS No. 123(R), as they were granted to a board member who is required to provide service in order for the options to vest and become excercisable. The Company used the Black-Scholes-Merton option valuation model to determine the compensation cost, which is being amortized ratably over the vesting period and recorded as an increase to selling, general and administrative expenses in the consolidated statements of income.

Certain stockholders and directors of the Company have a direct and/or indirect ownership interest in InnerWorkings, Inc. (InnerWorkings), a publicly traded company that provides print procurement services. InnerWorkings is one of the Company's stockholders. As of March 31, 2008, InnerWorkings owned 2,000,000 shares of the Company's common stock, or 5.8% of total shares outstanding on a fully-diluted basis, which it acquired in March 2005 for $125,000.

InnerWorkings subleases a portion of its office space to the Company. In November 2005, the Company entered into a sublease agreement with InnerWorkings to sublease a portion of InnerWorkings' office space for approximately $7,500 per month and increased the amount of space subleased in January 2007 with an increase in lease payments to approximately $17,000 per month. The sub-lease agreement expired without penalty in April 2007. In June 2007, the Company entered into a new agreement with InnerWorkings to sublease a portion of InnerWorkings' office space for approximately $14,000 per month with monthly payments escalating to approximately $19,000 per month in 2008, $21,000 per month in 2009, and 2% annually thereafter. The agreement requires InnerWorkings to provide 12 months notice in advance of cancelling the sublease. The total expenses incurred for subleased office space during the three months ended March 31, 2007 and 2008, were $50,860 and $63,610, respectively. Innerworkings has also provided print procurement services to the Company during 2007 and 2008. As consideration for these services, the Company incurred expenses of $6,622 and $17,179 for the three months ended March 31, 2007 and 2008, respectively.

The Company provided InnerWorkings transportation and logistics services to InnerWorkings during 2007 and 2008 and recognized $193,532 and $517,215, respectively for such services during the three months ended March 31, 2007 and 2008, respectively. Effective October 1, 2006, the Company entered into a referral agreement with InnerWorkings whereby the Company agreed to pay InnerWorkings a fee equal to 5% of gross profit from shipments generated from clients that were

Echo Global Logistics, Inc. and Subsidiaries

Notes to Condensed Unaudited Consolidated Financial Statements (Continued)

8. Related Parties (Continued)

referred to the Company by InnerWorkings, subject to a $75,000 cap per year per client. The Company incurred referral fees of approximately $19,544 and $0 for the three months ended March 31, 2007 and 2008, respectively. The Company terminated this agreement on February 18, 2008.

In June 2006, the Company entered into a supplier rebate program with InnerWorkings, pursuant to which the Company provides InnerWorkings with an annual rebate on all freight expenditures in an amount equal to 5% of revenue received from InnerWorkings. In April 2008, this rebate program was amended to provide InnerWorkings with an annual rebate on all freight expenditures in an amount equal to 3% of revenue received from InnerWorkings, plus an additional 2% of revenue for amounts paid within 15 days. Total supplier rebates to InnerWorkings were $3,965 and $11,958 for the three months ended March 31, 2007 and 2008, respectively.

As of December 31, 2007 and March 31, 2008, the Company had a net receivable due from InnerWorkings of $109,249 and $287,184, respectively, which is included in accounts receivable in the balance sheet. Additionally, as of December 31, 2007 and March 31, 2008, the Company has advances due to InnerWorkings of $13,324 and $12,971, respectively.

The Company subleases a portion of its office space to MediaBank, LLC (MediaBank), a provider of integrated procurement technology and analytics to the advertising industry whose investors include certain shareholders and directors of the Company. Effective April 1, 2007, the Company entered into an agreement to sublease a portion of its office space to MediaBank. An amended agreement was entered into effective July 1, 2007, whereby the Company subleases a portion of its office space to MediaBank. The agreement requires the Company to provide 12 months notice in advance of cancelling the sublease. For the three months ended March 31, 2008, the Company received $34,146 of sublease rental income. The Company had no amounts due to or from MediaBank as of March 31, 2008.

In March 2007, the Company acquired certain assets of SelecTrans, LLC (SelecTrans), a freight management software provider based in Lake Forest, Illinois for $350,000 in cash and 150,000 shares of common stock (fair value of $162,000 based on a per share value of $1.08, which the Company determined through the contemporaneous application of a discounted cash flow methodology by management). An officer of the Company had founded SelecTrans in 2004 and served as its Chief Executive Officer until it was acquired.

9. Legal Matters

In the normal course of business, the Company is subject to potential claims and disputes related to its business, including claims for freight lost or damaged in transit. Some of these matters may be covered by the Company's insurance and risk management programs or may result in claims or adjustments with our carriers. Management does not believe that the outcome of such matters will have a materially adverse effect on its financial position or results of operations.

Report of Independent Auditors

The Board of Directors and Shareholders
Mountain Logistics, Inc.

We have audited the accompanying balance sheets of Mountain Logistics, Inc. as of December 31, 2006 and April 30, 2007, and the related statements of operations, shareholders' deficit, and cash flows for the year ended December 31, 2006, and for the four-month period ended April 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Mountain Logistics, Inc. at December 31, 2006 and April 30, 2007, and the results of its operations and its cash flows for the year ended December 31, 2006, and for the four-month period ended April 30, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Chicago, Illinois
April 28, 2008

Mountain Logistics, Inc.

Balance Sheets

	December 31, 2006	April 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 135,608	$ 427,380
Accounts receivable, net of allowance for doubtful accounts of $71,405 in 2006 and $142,138 in 2007	1,986,204	2,503,936
Deferred income taxes	31,000	56,000
Prepaid expenses	12,378	7,735
Other current assets	2,300	
Total current assets	2,167,490	2,995,051
Property and equipment, net	53,290	55,491
Licensing rights, net	68,434	43,549
Deferred income taxes, net	39,000	48,000
Total assets	$ 2,328,214	$ 3,142,091
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable	$ 1,792,097	$ 2,458,720
Commissions payable	276,253	285,251
Income taxes payable	120,094	283,372
Line of credit	44,188	39,408
Current portion of capital lease obligation	20,025	16,180
Current portion of long-term debt	68,042	54,127
Other liabilities	106,828	56,513
Total current liabilities	2,427,527	3,193,571
Capital lease obligation	2,610	
Long-term debt	29,003	19,685
Commitments and contingent liabilities		
Shareholders' equity:		
Common shares, $1 par value, 100,000 shares authorized, issued, and outstanding	100,000	100,000
Accumulated deficit	(230,926)	(171,165)
Total shareholders' deficit	(130,926)	(71,165)
Total liabilities and shareholders' deficit	$ 2,328,214	$ 3,142,091

See accompanying notes to financial statements.

Mountain Logistics, Inc.

Statements of Income

	Year Ended December 31, 2006	Four-Month Period Ended April 30, 2007
Revenue	$ 12,034,929	$ 7,495,150
Transportation costs	9,054,325	5,557,321
Gross profit	2,980,604	1,937,829
Operating expenses:		
Selling, general, and administrative expenses	2,724,217	1,558,621
Depreciation and amortization	85,089	28,674
Income from operations	171,298	350,534
Other income (expense):		
Interest expense	(21,215)	(5,129)
Other	45,392	(6,480)
Total other income (expense)	24,177	(11,609)
Income before income taxes	195,475	338,925
Income tax expense	(84,094)	(129,278)
Net income	$ 111,381	$ 209,647

See accompanying notes to financial statements.

Mountain Logistics, Inc.

Statements of Stockholders' Deficit

	Common Shares	Common	Retained Earnings/ (Accumulated Deficit)	Total
Balance at January 1, 2006	100,000	$ 100,000	$ 56,883	$ 156,883
Net Income			111,381	111,381
Shareholder distribution			(399,190)	(399,190)
Balance at December 31, 2006	100,000	100,000	(230,926)	(130,926)
Net Income			209,647	209,647
Shareholder distribution			(149,886)	(149,886)
Balance at April 30, 2007	100,000	$ 100,000	$ (171,165)	$ (71,165)

See accompanying notes to financial statements.

Mountain Logistics, Inc.

Statements of Cash Flows

	Year Ended December 31, 2006	Four-Month Period Ended April 30, 2007
Operating activities		
Net income	$ 111,381	$ 209,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,089	28,674
Change in assets:		
Accounts receivable	(983,818)	(517,732)
Prepaid expenses and other	(14,678)	6,943
Deferred income taxes	(36,000)	(34,000)
Change in liabilities:		
Accounts payable	939,993	666,623
Commissions payable	160,235	8,998
Income taxes payable	108,725	163,278
Other liabilities	47,546	(50,315)
Net cash provided by operating activities	418,473	482,116
Investing activities		
Purchases of property and equipment	(6,972)	(5,990)
Net cash used in investing activities	(6,972)	(5,990)
Financing activities		
Payments on line of credit	(4,598)	(4,780)
Shareholder distribution	(399,190)	(149,886)
Principal payments on capital lease obligations	(18,126)	(6,455)
Principal payments on long-term debt	(65,281)	(23,233)
Net cash used in financing activities	(487,195)	(184,354)
(Decrease) increase in cash and cash equivalents	(75,694)	291,772
Cash and cash equivalents, beginning of year	211,302	135,608
Cash and cash equivalents, end of year	$ 135,608	$ 427,380
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 21,215	$ 5,129
Cash paid for income taxes	$ 11,369	$

See accompanying notes to financial statements.

Mountain Logistics, Inc.

Notes to Financial Statements

Year Ended December 31, 2006, and Four-Month Period Ended April 30, 2007

1. Description of the Business

Mountain Logistics, Inc. (the Company), a Utah company, is a freight logistics company engaged primarily in transportation management services with offices in Park City, Utah and Los Angeles, California. The Company commenced operations in April 2001 and conducts business as Transportation Management Group.

2. Summary of Significant Accounting Policies

Preparation of Financial Statements and Use of Estimates

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

Fair Value of Financial Instruments

As of December 31, 2006 and April 30, 2007, the carrying value of the Company's financial investments, which consist of cash and cash equivalents, accounts receivable, and accounts payable, approximate their fair values due primarily to their short maturities or other factors.

Revenue Recognition

Revenue is recognized when the client's shipment is delivered or when services have been provided, depending on the nature of the transaction. At the time of delivery or rendering of services, as applicable, the Company's obligation to fulfill a transaction is complete and collection of revenue is reasonably assured.

In accordance with Emerging Issues Task Force Issue 99-19, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, the Company typically recognizes revenue on a gross basis, as opposed to a net basis similar to a commission arrangement, because it bears the risks and benefits associated with revenue-generated activities by, among other things, (1) acting as a principal in the transaction, (2) establishing prices, (3) managing all aspects of the shipping process and (4) taking the risk of loss for collection, delivery and returns. Certain transactions to provide specific services are recorded at the net amount charged to the client because some of the factors required to record the revenue on a gross basis as the principal are not present.

Cash and Cash Equivalents

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

Accounts Receivable

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

The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflect management's best estimate of the amounts that will not be collected. The allowance is based on

Mountain Logistics, Inc.

Notes to Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

historical loss experience and any specific risks identified in client collection matters. Accounts receivable are charged off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible.

Property and Equipment

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

Computer equipment	5 years
Furniture and fixtures	7 years

Licensing Rights

Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, requires that intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment whenever impairment indicators exist in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company's intangible asset consists of licensing rights, which is being amortized on the straight-line basis over its estimated useful life of three years.

Following is a summary of the licensing rights as of December 31, 2006 and April 30, 2007:

	December 31, 2006	April 30, 2007
Licensing rights	$ 223,965	$ 223,965
Less accumulated amortization	(155,531)	(180,416)
Licensing rights, net	$ 68,434	$ 43,549

Amortization expense related to the licensing rights was $74,655 and $24,885 for the year ended December 31, 2006, and for the four-month period ended April 30, 2007.

The estimated amortization expense for the period from May 1, 2007 to December 31, 2007, is $43,549.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made. No valuation allowance was considered necessary for the year ended December 31, 2006 and for the four month period ended April 30, 2007.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which is an interpretation of SFAS No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's

Mountain Logistics, Inc.

Notes to Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax reurn. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for private companies for fiscal years beginning after December 15, 2008. The Company is in the process of assessing the impact of FIN 48 but does not believe that this adoption of the standard will have material impact on its financial statements.

3. Property and Equipment

Property and equipment at December 31, 2006 and April 30, 2007, consisted of the following:

	December 31, 2006	April 30, 2007
Computer equipment	$ 15,632	$ 21,622
Furniture and fixtures	54,161	54,161
	69,793	75,783
Less accumulated depreciation	(16,503)	(20,292)
Property and equipment, net	$ 53,290	$ 55,491

Depreciation expense was $10,434 and $3,789 for the year ended December 31, 2006, and for the four-month period ended April 30, 2007, respectively.

4. Capital Lease

In February 2005, the Company entered into a lease agreement for certain computer workstations and office furniture under a capital lease agreement, which included a bargain purchase option. Office furniture and fixtures under capital leases at December 31, 2006 and April 30, 2007, which is included in property and equipment, consist of the following:

	December 31, 2006	April 30, 2007
Furniture and fixtures	$ 54,161	$ 54,161
Less accumulated depreciation	(13,118)	(15,698)
Capital lease furniture and fixtures, net	$ 41,043	$ 38,463

The lease agreement expires in January 2008 and requires monthly payments of approximately $1,900. Obligations under the capital lease were $22,635 and $16,180 as of December 31, 2006 and April 30, 2007, respectively.

5. Line of Credit

The Company has a line of credit with maximum available borrowings of $200,000. Borrowings under the line of credit are collateralized by all of the Company's assets and bear interest of 10.5% at April 30, 2007. Interest on the line of credit is payable monthly. Borrowings under the line of credit were $44,188 and $ 39,408 at December 31, 2006 and April 30, 2007, respectively.

Mountain Logistics, Inc.

Notes to Financial Statements (Continued)

6. Long-Term Debt

As of December 31, 2006 and April 30, 2007, the Company had the following long-term debt obligations:

	December 31, 2006	April 30, 2007
Noninteresting-bearing note payable of approximately $124,000, payable in monthly payments of $4,000, maturing in October 2007. The Company has computed interest using an implied rate of 10%. The note is uncollateralized	$ 41,877	$ 27,090
Note payable of $100,000 with interest at 10%, payable in monthly principal and interest payments of $2,547, maturing in December 2008. The note is collateralized by the Company's assets	55,168	46,722
	97,045	73,812
Current portion	(68,042)	(54,127)
Long-term debt	$ 29,003	$ 19,685

Future scheduled payments of long-term debt are as follows:

2007 (May 1, 2007 to December 31, 2007)	$ 44,808
2008	29,004

7. Commitments and Contingencies

Lease Commitments

The Company leases office space under long-term operating leases for its offices in Utah and California. The total rent expense was $106,535 and $56,756 for the year ended December 31, 2006, and for the four-month period ended April 30, 2007, respectively.

Minimum annual rental payments are as follows:

2007 (May 1, 2007 to December 31, 2007)	$ 101,943
2008	55,383
2009	11,576

Mountain Logistics, Inc.

Notes to Financial Statements (Continued)

8. Income taxes

The provision (benefit) for income taxes consists of the following components for the year ended December 31, 2006, and for the four-month period ended April 30, 2007:

	December 31, 2006	April 30, 2007
Current:		
Federal	$ 103,996	$ 147,783
State	16,098	15,495
Total Current	120,094	163,278
Deferred		
Federal	(32,832)	(30,430)
State	(3,168)	(3,570)
Total deferred	(36,000)	(34,000)
Income tax expense	$ 84,094	$ 129,278

The Company's effective tax rate differs from the U.S. federal statutory rate primarily due to the effect of state income taxes and certain non-deductible expenses.

At December 31, 2006 and April 30, 2007, the Company's deferred tax assets and liabilities consisted of the following:

	December 31, 2006	April 30, 2007
Deferred tax assets:		
Reserves and allowances	$ 27,000	$ 54,000
Other	4,000	2,000
Licensing rights	46,000	54,000
Total deferred tax assets	77,000	110,000
Deferred tax liabilities:		
Fixed assets	7,000	6,000
Total deferred tax liabilities	7,000	6,000
Valuation allowance		
Net deferred tax asset	$ 70,000	$ 104,000

9. Benefit Plans

The Company has a 401(k) savings plan (the Plan) covering all of the Company's employees. Employees may contribute a percentage of eligible compensation on both a before-tax basis and after-tax basis. The Company has the right to make discretionary contributions to the Plan.

For the year ended December 31, 2006, and for the four-month period ended April 30, 2007, the Company did not make any contributions to the Plan.

Mountain Logistics, Inc.

Notes to Financial Statements (Continued)

10. Significant Customer Concentration

Sales to one customer were approximately 9% and 18% of total revenue for the year ended December 31, 2006, and for the four-month period ended April 30, 2007, respectively. This customer accounted for approximately 20% and 19% of total accounts receivable at December 31, 2006 and April 30, 2007, respectively.

During the year ended December 31, 2006 and four-month period ended April 30, 2007, there were no significant customers which had sales in excess of 10% of total revenue.

11. Related-Party Transactions

The Company shared its office space and furniture and equipment with MLT Providers, Inc. (MLT), a third-party logistics provider that specializes in truckload shipments. The two shareholders of the Company owned 66.67% of MLT until September 2006. The Company and MLT agreed that MLT would pay for a portion of the capital lease obligation as discussed in Note 5 and a portion of the office space lease payments. The Company has recorded payments received from the related entity as other income in the accompanying statements of operations. The following represent the amounts paid by the related party for the first nine months of 2006:

Capital lease obligation	$	7,419
Rent payments		34,000

In September 2006, the shareholders of the Company exchanged their ownership in MLT for the right to service certain customers of MLT.

12. Subsequent Event

In May 2007, the Company entered into an Asset Sale Agreement to sell its assets and transfer certain liabilities to Echo Global Logistics, Inc. (Echo). In consideration for the assets sold and liabilities transferred, the purchase price was $4.25 million. An additional $6.45 million in contingent cash consideration may become receivable and 550,000 shares of Echo common stock may vest upon the achievement of certain performance measures by or prior to May 31, 2010. Echo will repurchase all of the common shares for an aggregate price of $1.00 if the performance measures are not satisfied by May 31, 2010.

Echo Global Logistics, Inc. and Subsidiaries

Unaudited Pro Forma Condensed Consolidated Statement of Income

For the Year Ended December 31, 2007

Effective May 1, 2007, Echo Global Logistics, Inc. (the "Company") acquired Mountain Logistics, Inc., (which was doing business as Transportation Management Group but now operates under the Echo name), a third-party logistics provider with offices in Park City, Utah and Los Angeles, California. As a result of the acquisition, the Company established a significant presence in the West Coast market by gaining over 200 West Coast clients and 43 sales agents.

For purposes of the Unaudited Pro Forma Condensed Consolidated Income Statements for the year ended 2007, the Company assumed that the Mountain Logistics acquisition occurred on January 1, 2007. As a result, the unaudited pro forma condensed consolidated income statement was derived from:

- the audited historical consolidated income statement of the Company for the year ended December 31, 2007; and

- the audited historical consolidated income statement of Mountain Logistics for the four months ended April 30, 2007.

The Unaudited Pro Forma Condensed Consolidated Income Statement is presented for illustration purposes only and does not necessarily indicate the operating results that would have been achieved if the Mountain Logistics acquisition had occurred at the beginning of the period presented, nor is it indicative of future operating results.

The Unaudited Pro Forma Condensed Consolidated Income Statement presented does not reflect the pro forma effect of the Bestway Solutions, LLC acquisition as it was considered immaterial for financial reporting purposes.

The Unaudited Pro Forma Condensed Consolidated Income Statement presented reflects the effect of converting the Company's Series B and D preferred shares to common shares on approximately a one-for-one basis, which results in the elimination of preferred dividends for the converted shares, and the additional shares of common stock issued in this offering.

The Unaudited Pro Forma Condensed Consolidated Income Statement should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Income Statement and the Company's historical consolidated financial statements and accompanying note included in this Form S-1 Registration Statement.

Echo Global Logistics, Inc. and Subsidiaries

Unaudited Pro Forma Condensed Consolidated Statement of Income

For the Year Ended December 31, 2007

	Echo Global Logistics, Inc. Historical	Mountain Logistics, Inc. Four Months Ended April 30, 2007	Acquisitions Pro Forma Adjustments	IPO Pro Forma Adjustments	Pro Forma
Revenue:					
Transportation	$ 93,931,931	$ 7,495,150	$	$	$ 101,427,081
Fee for services	1,529,054				1,529,054
Total revenue	95,460,985	7,495,150			102,956,135
Transportation costs	74,575,938	5,557,321			80,133,259
Gross profit	20,885,047	1,937,829			22,822,876
Operating expenses:					
Selling, general, and administrative expenses	16,327,799	1,558,621			17,886,420
Depreciation and amortization	1,845,134	28,674	228,333(1)		2,102,141
Income (loss) from operations	2,712,114	350,534	(228,333)		2,834,315
Other income (expense):					
Interest income	208,055		(58,792)(2)		149,263
Interest expense	(11,936)	(5,129)			(17,065)
Other, net	(5,424)	(6,480)			(11,904)
Total other income (expense)	190,695	(11,609)	(58,792)		120,294
Income (loss) before income taxes	2,902,809	338,925	(287,125)		2,954,609
Income tax benefit (expense)	(1,174,273)	(129,278)	111,979 (5)		(1,191,572)
Net income (loss)	1,728,536	209,647	(175,146)		1,763,037
Dividends on preferred shares	(1,054,381)			1,054,381 (3)	
Net income applicable to common shareholders	$ 674,155	$ 209,647	$ (175,146)	$ 1,054,381	$ 1,763,037
Basic earnings per share	$ 0.03				$ 0.06
Diluted earnings per share	$ 0.03				$ 0.06
Number of shares used for calculation:					
Basic earnings per share	23,425,286			6,383,993	29,809,279 (4)
Diluted earnings per share	24,904,713			6,383,993	31,288,706 (4)

See notes to unaudited pro forma condensed consolidated financial statements.

Echo Global Logistics, Inc. and Subsidiaries

Notes to Unaudited Pro Forma Condensed Consolidated Income Statement

Year Ended December 31, 2007

(1) Depreciation and amortization

The pro forma adjustment reflects the amortization of intangible assets over their useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company.

	Useful Life	Year Ended December 31, 2007 Pro Forma Amortization
Customer relationships	5 years	$ 181,333
Noncompete agreements	10 months	25,889
Trade names	3 years	21,111
		$ 228,333

(2) Interest income

The pro forma adjustment reflects the reduction in interest income related to the $4.25 million cash paid for the Mountain Logistics acquisition, which reduces cash available for investment by the Company. The reduction was calculated using an interest rate of 4.15% for the four months that preceded the acquisition, which is the approximate rate of interest that the Company earned during that period.

(3) Dividends on preferred shares

The pro forma adjustment reflects the elimination of preferred dividends resulting from the conversion of all of our outstanding shares of Series B and Series D preferred stock into shares of our common stock on approximately a share-for-share basis.

(4) Earnings per share

The pro forma basic earnings per share includes 6,383,993 shares of Series B and D shares converted to common stock and the shares of additional common stock issued in this offering. The pro forma diluted earnings per share include the dilutive effect of 1,479,427 options outstanding using the treasury stock method.

(5) Income tax expense

The pro forma adjustment reflects the combined federal and state effective tax rate of 39.0% applied to the pro forma pre-tax impact of the acquisition adjustment.

Echo Global Logistics, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Income

Three Months Ended March 31, 2008

The Unaudited Pro Forma Condensed Consolidated Statement of Income presented reflects the effect of converting the Company's Series B and D preferred shares to common shares on approximately a one-for-one basis, which results in the elimination of preferred dividends for the converted shares, and the additional shares of common stock issued in this offersing.

The Unaudited Pro Forma Condensed Consolidated Statement of Income should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Statement of Income and the Company's historical consolidated financial statements and accompanying notes included in this Form S-1 Registration Statement.

Echo Global Logistics, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Income

For the Three Months Ended March 31, 2008

	Echo Global Logistics, Inc. Historical	IPO Pro Forma Adjustments	Pro Forma
Revenue:			
Transportation	$ 38,387,747	$	$ 38,387,747
Fee for services	541,236		541,236
Total Revenue	38,928,983		38,928,983
Transportation costs	30,175,327		30,175,327
Gross profit	8,753,656		8,753,656
Operating expenses:			
Selling, general, and administrative expenses	6,547,113		6,547,113
Depreciation and amortization	705,046		705,046
Income from operations	1,501,497		1,501,497
Other income (expense):			
Interest income	15,009		15,009
Interest expense	(6,380)		(6,380)
Other, net	(9,614)		(9,614)
Total other income (expense)	(985)		(985)
Income (loss) before income taxes	1,500,512		1,500,512
Income tax benefit (expense)	(594,800)		(594,800)
Net income (loss)	905,712		905,712
Dividend on preferred shares	(262,155)	262,155(1)	
Net income applicable to common shareholders	$ 643,557	$ 262,155	$ 905,712
Basic earnings per share	$ 0.03		$ 0.03
Diluted earnings per share	$ 0.03		$ 0.03
Number of shares used for calculation:			
Basic earnings per share	24,114,271	6,383,993	30,498,264(2)
Diluted earnings per share	25,416,116	6,383,993	31,800,109(2)

See notes to unaudited pro forma condensed consolidated statement of income.

Echo Global Logistics, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Statement of Income

Three Months Ended March 31, 2008

(1) Dividends on preferred shares

The pro forma adjustment reflects the elimination of preferred dividends resulting from the conversion of all of our outstanding shares of Series B and Series D preferred stock into shares of our common stock on a share-for-share basis.

(2) Earnings per share

The pro forma basic earnings per share includes the 6,383,993 share of Series B and D shares converted to common stock and the shares of additional common stock issued in this offering. The pro forma diluted earnings per share include the dilutive effect of 1,301,845 options outstanding using the treasury stock method.

Shares

Common Stock

Lehman Brothers

Citi

William Blair & Company
Thomas Weisel Partners LLC
Barrington Research
Craig-Hallum Capital Group

Through and including (the 25th day after the date of this prospectus), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with this offering.

Securities and Exchange Commission Registration Fee	$	3,930
FINRA Filing Fee		10,500
Nasdaq Global Market Listing Fee		*
Accounting Fees and Expenses		*
Directors' and Officers' Insurance		*
Printing and Engraving Expenses		*
Legal Fees and Expenses		*
Blue Sky Fees and Expenses (including Legal Fees and Expenses)		*
Transfer Agent Fees and Expenses		*
Miscellaneous		*
Total	$	*

* To be completed by amendment.

The foregoing items, except for the Securities and Exchange Commission registration, FINRA filing and Nasdaq Global Market listing fees, are estimated. All expenses will be borne by us.

Item 14. Indemnification of Directors and Officers

Delaware General Corporation Law

We are incorporated under the laws of the State of Delaware. Our amended and restated certificate of incorporation (filed as Exhibit 3.1 to this registration statement) and by-laws (filed as Exhibit 3.2 to this registration statement) provide for the indemnification of our directors, officers, employees and agents to the fullest extent permitted under the Delaware General Corporation Law. Section 145 of the Delaware General Corporation Law provides that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

In addition, we have the power to indemnify any person who was or is a party or is threatened to be made a party to, or otherwise involved (including involvement as a witness) in, any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its

favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that a Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director:

- for any breach of the director's duty of loyalty to Echo or its stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- for payment of dividends or stock purchases or redemptions by the corporation in violation of Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation includes such a provision. As a result of this provision, Echo and its stockholders may be unable to obtain monetary damages from a director for certain breaches of his or her fiduciary duty to Echo. This provision does not, however, eliminate a director's fiduciary responsibilities and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. The provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws.

Indemnification Agreements

We intend to enter into indemnification agreements, a form of which is attached as Exhibit 10.9, with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law, as amended from time to time. These indemnification agreements may require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements may also require us to advance all expenses incurred by the directors or executive officers in investigating or defending any such action, suit or proceeding. However, an individual will not receive indemnification for judgments, settlements or expenses if he or she is found liable to Echo (except to the extent the court determines he or she is fairly and reasonably entitled to indemnity for expenses that the court shall deem proper).

Underwriting Agreement

The underwriting agreement (filed as Exhibit 1.1 to this registration statement) provides that the underwriters are obligated, under certain circumstances, to provide indemnification for Echo and its officers, directors and employees for certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or otherwise.

Directors' and Officers' Liability Insurance

Echo maintains directors' and officers' liability insurance policies, which insure against liabilities that directors or officers may incur in such capacities. These insurance policies, together with the indemnification agreements, may be sufficiently broad to permit indemnification of our directors and officers for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or otherwise.

Item 15. Recent Sales of Unregistered Securities

Sales of Our Securities

We sold the following common units, restricted units and Series B and Series C preferred units of Echo Global Logistics, LLC and the following common stock, restricted common stock and Series D preferred stock of Echo Global Logistics, Inc. in private transactions on the dates set forth below. In connection with our conversion from an LLC to a corporation in June 2006, the former members of the Echo Global Logistics, LLC received newly issued shares of our capital stock, cash or a combination of both. The issuances of the securities identified below were deemed to be exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(2) of the Securities Act as transactions not involving a public offering. The Company believes that each of the purchasers listed below: (i) was a sophisticated investor having enough knowledge and experience in finance and business matters to evaluate the risks and merits of the investment; (ii) was able to bear the investment's economic risk; (iii) had access to the type of information normally provided in a prospectus through each individual's relationship with the Company; and (iv) understood and agreed that the shares could not be resold or distributed to the public. In addition, the Company did not use any form of public solicitation or advertisement in connection with the offerings.

Name of Unitholder/ Stockholder	Common Units	Series B Convertible Preferred Units	Series C Convertible Preferred Units	Series D Convertible Preferred Shares	Common Shares	Unvested Common Units	Unvested Common Shares	Date of Purchase	Total Purchase Price
Polygal Row, LLC(1)	11,570,000							3/1/05	$ 1,157
InnerWorkings, LLC	2,000,000							3/1/05	$ 125,000
Blue Media, LLC(2)		41,667						3/1/05	$ 41,667
Old Willow Partners, LLC(3)		41,667						3/1/05	$ 41,667
Orazio Buzza	450,000							3/1/05	(4)
Frog Ventures, LLC(5)	6,480,000							3/1/05	$ 648
Frog Ventures, LLC		41,666						3/1/05	$ 41,666
Echo Global Logistics Series C Investment Partners, LLC(6)	1,053,000		3,510,000					6/1/05	$ 3,500,000
John R. Walter	300,000							7/13/05	$ 30,000
Vipon Sandhir	150,000							8/3/05	(7)
Younes & Soraya Nazarian Revocable Trust	100,000							8/10/05	(8)
John R. Walter	100,000							1/1/06	$ 25,000
John R. Walter						500,000		1/18/06	$ 125,000
Steven E. Zuccarini	30,000							2/1/06	$ 6,000
Orazio Buzza						450,000(9)		3/15/06	$ 112,500
Vipon Sandhir						450,000(10)		4/15/06	$ 112,500
Anthony R. Bobulinski				102,950				6/7/06	$ 286,201
Younes & Soraya Nazarian Revocable Trust				1,461,798				6/7/06	$ 4,063,799
Entities affiliated with New Enterprise Associates				4,694,245				6/7/06	$ 13,050,000
Echo Global Logistics Series C Investment Partners, LLC	3,510,000							6/7/06	(11)
Samuel K. Skinner					100,000			12/31/06	$ 288,000
Holden Ventures, LLC(12)					500,000			2/25/07	$ 550,000
SelecTrans, LLC					150,000			3/21/07	(13)
Mountain Logistics, Inc.							550,000	5/17/07	(14)
Green Media, LLC(15)	100,000							8/15/07	$ 405,000
Orazio Buzza							10,000(16)	9/28/07	$ 40,500
Bestway Solutions, LLC					50,000			10/15/07	(17)
Scott P. Pettit					50,000			1/15/08	$ 220,000

(1) The managers and controlling shareholders of Polygal Row are Blue Media, LLC and Old Willow Partners, LLC. See footnotes (2) and (3) below for information on the ownership of Blue Media, LLC and Old Willow Partners, LLC.

(2) Blue Media, LLC is owned by Eric P. Lefkofsky (50%), one of our directors, and his wife, Elizabeth Kramer Lefkofsky (50%).

(3) Old Willow Partners, LLC is controlled by Richard A. Heise, Jr., one of our former directors.

(4) These units were issued to Orazio Buzza as partial consideration for his employment with us.

(5) Frog Ventures, LLC is owned by the Keywell Family Trust (20%) and Kimberly Keywell (80%). Ms. Keywell is the wife of Bradley A. Keywell, one of our directors.

(6) Echo Global Logistics Series C Investment Partners, LLC was formed in connection with our Series C financing and, at the time of the sale, was owned by the following individuals and entities: (i) Baradaran Revocable Trust (15.40%), (ii) David Nazarian (7.70%), (iii) Sam Nazarian (7.70%), (iv) Sharon Baradaran (7.70%), (v) Shulamit Nazarian Torbati (7.70%), (vi) Y&S Nazarian Revocable Trust (7.70%), (vii) Anthony R. Bobulinski (7.70%), one of our directors, (viii) Gregory N. Elinsky (7.70%), (ix) Richard A. Heise Sr. Living Trust (7.58%), (x) Blue Media, LLC (4.62%), an entity owned by Eric P. Lefkofsky, one of our directors, (50%) and his wife, Elizabeth Kramer Lefkofsky (50%), (xi) John R. Walter (3.85%), one of our directors, (xii) The Scion Group, LLC (2.85%), (xiii) Pleasant Lake, LLC (1.83%), (xiv) Bridget Graver (1.85%), (xv) Steve and Debra Zuccarini (1.42%), (xvi) The Scott P. George Trust dated June 3, 2003 (1.42%), (xvii) Nicholas R. Pontikes (1.42%), (xviii) Waverly Investors, LLC (1.42%), (xix) Jerrilyn M. Hoffmann Revocable Trust (1.42%), (xx) Coldwater Holdings, LLC (0.71%), which is controlled by Orazio Buzza, and (xxi) Brian & Mary Tuffin (0.28%). Polygal Row, LLC is the manager of Echo Global Logistics Series C Investment Partners, LLC.

(7) These units were issued to Vipon Sandhir as partial consideration for his employment with us.

(8) These units were granted to affiliates of the Nazarian family in connection with their investment of $2,000,000 in Echo Global Logistics Series C Investment Partners, LLC. In connection with the investment, affiliates of the Nazarian family were also given the right to appoint a member to our board of directors. This right was terminated in connection with subsequent investments.

(9) We have the right to repurchase up to 225,000 of these unvested common shares if Mr. Buzza ceases to be employed by us prior to December 31, 2008 for any reason other than a change of control.

(10) We have the right to repurchase up to 270,000 of these units if Mr. Sandhir ceases to be employed by us prior to August 1, 2008, and 90,000 of these units if Mr. Sandhir ceases to be employed by us prior to August 1, 2009, for any reason other than a change of control.

(11) Effective June 7, 2006, we redeemed 3,510,000 shares of Series C preferred units from Echo Global Logistics Series C Investment Partners ("Series C Partners"), and issued 3,510,000 of our common units to Series C Partners.

(12) Holden Ventures, LLC is owned by Bradley A. Keywell, one of our directors.

(13) These shares were issued to SelecTrans, LLC as partial consideration for our acquisition of SelecTrans, LLC, which was owned by Douglas R. Waggoner, our Chief Executive Officer, Allison L. Waggoner, Mr. Waggoner's wife, and Daryl P. Chol.

(14) These shares were issued to Mountain Logistics, Inc. as partial consideration for our acquisition of Mountain Logistics, Inc., which was owned by Walter Buster Schwab (50%), one of our employees, and Ryan Renne (50%), one of our employees. These shares of unvested common stock may vest upon the achievement of certain performance measures by May 31, 2010. We will repurchase all of these unvested common shares for an aggregate price of $1.00 if certain performance targets are not satisfied by May 31, 2010.

(15) Green Media, LLC is owned by Eric P. Lefkofsky (50%), one of our directors, and his wife, Elizabeth Kramer Lefkofsky (50%).

(16) We have the right to repurchase these unvested common shares if Mr. Buzza ceases to be employed by us prior to December 31, 2008.

(17) These shares were issued to Bestway Solutions as partial consideration for our acquisition of Bestway Solutions. We are holding these shares in escrow until April 15, 2009 to secure certain indemnification obligations under the asset purchase agreement pursuant to which we acquired certain assets of Bestway Solutions.

In addition, since January 1, 2005, we have granted stock options to 45 of our employees or consultants to purchase an aggregate of 3,150,500 shares of our common stock, of which 175,000 have been exercised, 240,000 have expired and 2,735,500 remain either unvested or unexercised. The weighted average exercise price for the unvested and/or unexercised options is $2.49 per share. Each of the option grants were awarded under the Echo Global Logistics LLC 2005 Stock Option Plan and, subject to the terms of that plan, vest and allow for exercise in accordance with the terms of each individual grant.

Other than the transactions listed immediately above, we have not issued and sold any unregistered securities in the three years preceding the filing of this registration statement.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit No.	Description
1.1+	Form of Underwriting Agreement.
3.1*	Amended and Restated Certificate of Incorporation.
3.2*	By-laws.
3.3+	Second Amended and Restated Certificate of Incorporation.
3.4+	Amended and Restated By-laws.
4.1+	Specimen Common Stock Certificate.
4.2*	Investor Rights Agreement effective as of June 7, 2006 by and among Echo Global Logistics, Inc. and certain investors set forth therein.
4.3*	Waiver of Investor Rights dated April 25, 2008 by and among Echo Global Logistics, Inc. and certain investors set forth therein.
4.4+	Form of Recapitalization Agreement.
5.1+	Opinion of Winston & Strawn LLP.
10.1*	Echo Global Logistics LLC 2005 Stock Incentive Plan.
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10.13+	Transportation Management Agreement, dated January 20, 2006, by and between Echo and Cenveo Corporation.
10.14*	Asset Purchase Agreement dated as of May 17, 2007 by and among Echo/TMG Holdings, LLC, Mountain Logistics, Inc. (d/b/a Transportation Management Group), Walter Buster Schwab and Ryan Renne.
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21.1+	Subsidiaries of Echo.
23.1	Consent of Ernst & Young LLP.
23.2+	Consent of Winston & Strawn LLP (contained in Exhibit 5.1).
24.1*	Power of Attorney.

+ To be filed by amendment.

* Previously filed.

(b)

Financial Statement Schedules

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Echo Global Logistics, Inc:

We have audited the consolidated financial statements of Echo Global Logistics, Inc. as of December 31, 2006 and 2007, and for each of the three years in the period ended December 31, 2007, and have issued our report thereon dated April 28, 2008 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedule listed in Item 16(b) of this Form S-1 Registration Statement. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Chicago, Illinois /s/ Ernst & Young LLP
April 28, 2008

The following financial statement schedule is a part of this Registration Statement and should be read in conjunction with the consolidated financial statements of Echo:

VALUATION AND QUALIFYING ACCOUNTS

	2005		2006		2007	
Allowance for doubtful accounts:						
Balance at beginning of year	$		$	36,851	$	100,875
Provision, charged to expense	$	46,471	$	172,133	$	345,785
Write-offs, less recoveries	$	(9,620)	$	(108,109)	$	(16,510)
Balance at end of year	$	36,851	$	100,875	$	430,150
Income tax valuation allowance:						
Balance at beginning of year	$		$		$	1,964,642
Valuation allowance recorded in connection with impact of tax basis intangible	$		$	1,964,642	$	
Balance at end of year	$			1,964,642	$	1,964,642

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless

in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on June 27, 2008.

ECHO GLOBAL LOGISTICS, INC.

By: /s/ DOUGLAS R. WAGGONER

Douglas R. Waggoner
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DOUGLAS R. WAGGONER Douglas R. Waggoner	Chief Executive Officer (principal executive officer) and Director	June 27, 2008
* David B. Menzel	Chief Financial Officer (principal accounting and financial officer)	June 27, 2008
* Samuel K. Skinner	Chairman of the Board	June 27, 2008
* John R. Walter	Director	June 27, 2008
* Louis B. Susman	Director	June 27, 2008
* John F. Sandner	Director	June 27, 2008
* Harry R. Weller	Director	June 27, 2008
* Anthony R. Bobulinski	Director	June 27, 2008
* Eric P. Lefkofsky	Director	June 27, 2008
*	Director	June 27, 2008

Signature	Title	Date
Bradley A. Keywell		

*By: /s/ DOUGLAS R. WAGGONER

Douglas R. Waggoner, as *attorney-in-fact*

EXHIBIT INDEX

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