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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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
o	Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission file number 001-34470
ECHO GLOBAL LOGISTICS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-5001120
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
600 West Chicago Avenue, Suite 725 Chicago, Illinois	60654
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 354-7993
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o 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 o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

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

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

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

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Part I

Item 1. Business

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

Certain statements in this Annual Report on Form 10-K are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E if the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements involve a number of risks, uncertainties and other factors that could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors which could materially affect such forward-looking statements can be found in Part I, Item 1 "Business," Part I, Item 1A "Risk Factors" and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K. Investors are urged to consider these factors carefully in evaluating any forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date hereof and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Our Company

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

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

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

Our Clients

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

Transactional Clients

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

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

Enterprise Clients

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

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

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

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

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

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

Our Proprietary Technology

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

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

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

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

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

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

Our Transportation Solutions

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

Mode-Specific Offerings

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

- Truckload. We provide TL service across all TL segments, including dry van, temperature-controlled and flatbed trucks. Our LaneIQ technology uses our predictive pricing algorithms, industry relationships and historical lane-specific price and capacity data to quickly satisfy our clients' TL needs
- Less than Truckload. We maintain relationships with, and utilize the vast majority of, LTL carriers in the market. Using our innovative RateIQ 2.0 technology, we obtain real-time price and transit time information for every LTL shipment we broker.
- Small Parcel. We provide small parcel services for packages of all sizes. Using our EchoPak technology, we often are able to deliver cost saving opportunities to those clients with significant small parcel freight spend.
- Intermodal. Intermodal transportation is the shipping of freight by multiple modes. We offer intermodal transportation services for our clients that utilize a combination of truck and rail. Our dedicated intermodal team can select the combination of truck and rail service that best satisfies each client's individual price and shipment criteria.
- Domestic Air and Expedited Services. We provide domestic air and expedited shipment services for our clients whose delivery requirements cannot be satisfied by traditional over the road service.
- International. For clients seeking the ease of a comprehensive international delivery option, we provide air and ocean transportation services. Dedicated account teams are able to consolidate shipments, coordinate routing, prearrange custom clearance and organize local pick-up and delivery, all in an effort to minimize the time and economic burdens associated with international shipping.

Logistics Services Offering

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

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

- Rate negotiation;
- Procurement of transportation, both contractually and in the spot market;
- Shipment execution and tracking;
- Carrier management, selection, reporting and compliance;

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

Our Employees

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

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

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

Our Carrier Network

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

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

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

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

Competition

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

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

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

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

Government Regulation

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

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

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

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

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

Risk Management and Insurance

If a shipment is damaged during the delivery process, our customer may file a claim for the damaged shipment with us, which we will pursue directly with the carrier on our client's behalf. In the cases where we have agreed (either contractually or otherwise) to pay for claims for damage to freight while in transit, we may pay the claim to our client while we independently pursue reimbursement from the carrier. If we are unable to recover all or any portion of the claim amount from our carrier, we may bear the financial loss of such claim. We mitigate this risk by using our quality program to carefully select carriers with adequate insurance, quality control procedures and safety ratings. We also take steps to ensure that the coverage we provide to our clients for damaged shipments is substantially similar to the coverage that our carriers provide to us. In addition, we carry

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

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

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

Our Website

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

Item 1A. Risk Factors

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

Risks Related to Our Business

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

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

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

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

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Higher carrier prices may result in decreased net revenue margin.

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

Competition could substantially impair our business and our operating results.

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

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

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

We rely heavily on Optimizer to track and store externally and internally generated market data, analyze the capabilities of our carrier network and recommend cost-effective carriers in the appropriate transportation mode. To keep pace with changing technologies and client demands, we must correctly interpret and address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends, which may lead to significant ongoing research and development costs. We may be unable to accurately determine the needs of our clients and the trends in the transportation services industry or to design and implement the appropriate features and functionality of our technology platform in a timely and cost-effective manner, which could result in decreased demand for our services and a corresponding decrease in our revenue. Despite testing, we may be unable to detect defects in existing or new versions of our proprietary software, or errors may arise in our software. Any failure to identify and address such defects or errors could result in loss of revenue or market share, liability to clients or others, diversion of resources, injury to our reputation, and increased service and maintenance costs. Correction of such errors could prove to be impossible or very costly, and responding to resulting claims or liability could similarly involve substantial cost.

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

Our ability to deliver our services depends upon the capacity, reliability and security of services provided to us by our telecommunication service providers, our electronic delivery systems and the Internet. We have no control over the operation, quality or maintenance of these services or whether the vendors will improve their services or continue to provide services that are essential to our business. In addition, our telecommunication service providers may increase their prices at which they provide services, which would increase our costs. If our telecommunication service providers were to cease to provide essential services or to significantly increase their prices, we could be required to find alternative vendors for these services. With a limited number of vendors, we could experience significant delays in obtaining new or replacement services, which could significantly harm our reputation and could cause us to lose clients and revenue. Moreover, our ability to deliver information using the Internet may be impaired because of infrastructure failures, service outages at third-party Internet providers or increased government regulation. If disruptions, failures or slowdowns of our electronic delivery systems or the Internet occur, our ability to effectively provide technology enabled transportation and supply chain management services and to serve our clients may be impaired.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2014, we continued to enhance our sizable carrier network of motor, rail and air freight transportation providers. We expect to continue to rely on these carriers to fulfill our shipping orders in the future. However, these carriers are not contractually required to continue to accept orders from us. If shipping capacity at a significant number of these carriers becomes unavailable, we will be required to use fewer carriers, which could significantly limit our ability to serve our clients on competitive terms. The transportation industry has also experienced consolidation among carriers in recent years and further consolidations could result in a decrease in the number of carriers, which may impact our ability to serve our clients on competitive terms. In addition, we rely on price bids provided by our carriers to populate our database. If the number of our carriers decreases significantly, we may not be able to obtain sufficient pricing information for Optimizer, which could affect our ability to obtain favorable pricing for our clients.

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

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

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

We are subject to claims arising from our transportation operations.

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

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

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

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

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

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

Our business depends on compliance with many government regulations.

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Ownership of Our Common Stock

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

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

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

- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in market valuations of similar companies;
- success of competitors' products or services;
- changes in our capital structure, such as future issuances of debt or equity securities;

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

In addition, if the stock market experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to class action lawsuits that, even if unsuccessful, could be costly to defend and distracting to management. As a result, you could lose all or part of your investment.

Our quarterly results are difficult to predict and may vary from quarter to quarter, which may result in our failure to meet the expectations of investors and increased volatility of our stock price.

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

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

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

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

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

Item 1B. Unresolved staff comments

None.

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Item 2. Properties

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

Corporate Headquarters
Chicago, Illinois

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

Data Center
Englewood, Colorado

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

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Item 3. Legal Proceedings

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

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

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

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

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

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Market Information

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

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

Holders

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

Dividends

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

Issuer Purchases of Equity Securities

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

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

Item 6. Selected Financial Data

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

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

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

(1) Reflects number of Enterprise clients on the last day of the applicable period.
(2) Reflects number of Transactional clients served in the applicable period.
(3) Reflects number of employees and agents on the last day of the applicable period.

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

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

Overview

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

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

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Results of Operations

The following table represents certain statement of income data:

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

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Revenue

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

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

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

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

Transportation costs and net revenue

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

Net revenue is the primary indicator of our ability to add value to our clients and is considered by management to be an important measurement of our success in the marketplace. Our transportation costs are typically lower for an LTL shipment than for a TL shipment. Our net revenue margin is typically higher for an LTL shipment than for a TL shipment. Material shifts in the percentage of our revenue by transportation mode, including small parcel, could have a significant impact on our net revenue. The discussion of our results of operations below focuses on changes in our net revenue and expenses as a percentage of net revenue. In 2014, 2013 and 2012, our net revenue was $208.2 million, $155.6 million and $143.1 million, respectively, reflecting growth rates of 34% and 9% in 2014 and 2013, respectively, compared to the corresponding prior year.

Operating expenses

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

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

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

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

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

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

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

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

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

Critical Accounting Policies

Revenue Recognition

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

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

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Accounts Receivable and Allowance for Doubtful Accounts

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

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

Goodwill and Other Intangibles

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

Stock-Based Compensation

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

Income Taxes

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

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

Comparison of years ended December 31, 2014 and 2013

Revenue

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

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

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

Transportation costs

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

Net revenue

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

Operating expenses

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

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

Contingent consideration

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

Depreciation and amortization

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

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

Income from operations

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

Other expense and income tax expense

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

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

Net Income

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

Comparison of years ended December 31, 2013 and 2012

Revenue

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

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

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

Transportation costs

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

Net revenue

Net revenue increased by $12.5 million, or 8.8%, to $155.6 million in 2013 from $143.1 million in 2012. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our net revenue during this period. Net revenue margins decreased to 17.6% in 2013 from 18.9% in 2012. The decrease in net revenue margins was primarily the result of lower LTL revenue as a percentage of total revenue in 2013 when compared to 2012. TL and intermodal revenue, which usually earn less net revenue margin, increased significantly as a percentage of total revenue in 2013 when compared to 2012 due to the Sharp acquisition. The cost of obtaining TL capacity continued to increase in 2013 with new industry regulations, while demand has not been as strong as expected, resulting in prices increasing at a slower rate than costs. This led to a reduction of net revenue margins in the TL component of our business in 2013.

Operating expenses

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

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

Contingent consideration

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

Acquisition related impairment loss

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

Depreciation and amortization

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

Income from operations

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