Echo Global Logistics, Inc.
Form 10-K
March 11, 2011
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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, 2010 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 o 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. x
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

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

At June 30, 2010, there were 21,842,242 shares of common stock outstanding held by nonaffiliates of the registrant, and the aggregate market value of the common stock (based upon closing price of these shares on the Nasdaq Global Market) was $127,278,896.

The number of shares of the registrant's common stock outstanding as of the close of business on March 10, 2011 was 22,361,433.

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 Commission 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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Item 1. Business

Unless otherwise indicated or the context otherwise requires, references in this Annual Report on Form 10-K to "Echo Global Logistics, Inc.," "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 the section entitled "Risk Factors" in Part I, Item IA and Part I, Item 7 entitled "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 the 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

We are a leading provider of technology enabled transportation and supply chain management services, delivered on a proprietary technology platform serving the transportation and logistics needs of our clients. Our web-based technology platform compiles and analyzes data from our network of over 24,000 transportation providers to serve our clients' shipping and freight management needs. Our technology platform, composed of web-based software applications and a proprietary database, enables us to identify excess transportation capacity, obtain competitive rates, and execute thousands of shipments every day while providing high levels of service and reliability. We focus primarily on arranging transportation across truckload (TL) and less than truck load (LTL), and we also offer small parcel, inter-modal (which involves moving a shipment by rail and truck), domestic air, expedited and international transportation services. Our core logistics services include rate negotiation, shipment execution and tracking, carrier management, routing compliance, freight bill audit and payment and performance management and reporting, including executive dashboard tools.

We believe our ability to identify and utilize excess capacity solves a long-standing transportation industry problem of failing to match demand with available supply and benefits both our clients and the carriers in our network. Through our proprietary technology platform and the real-time market information stored in our database, we are able to identify and utilize transportation providers with unused capacity on routes that our clients can employ. Our carrier network consists of over 24,000 transportation providers that have been selected based on their ability to effectively serve our clients in terms of price, capabilities, geographic coverage and quality of service. We believe the carriers in our network also benefit from the opportunity to serve the transportation needs of our clients with minimal sales, marketing or customer service expense.

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

Our clients gain access to our carrier network through our proprietary web-based technology platform, which enables them to capitalize on our logistics knowledge, pricing intelligence and purchasing leverage. In some instances, our clients have eliminated their internal logistics departments altogether, allowing them to reduce overhead costs, redeploy internal resources and focus on their core businesses. Using our web-based software applications also

provides our clients with the ability to track individual shipments, transfer shipment-level data to their financial management systems and create customized dashboards and reports detailing carrier activity on an enterprise-wide basis. These features provide our clients with greater visibility, business analytics and control of their freight expenditures.
We procure transportation and provide logistics services for more than 22,800 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

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clients, including the management of both freight expenditures and logistical issues surrounding freight to be transported. We provide transportation and logistics services to our transactional clients on a shipment-by-shipment.

We were formed as a Delaware limited liability company in January 2005. We 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. Upon the completion of our initial public offering, our common stock became listed on the Nasdaq Global Market under the symbol “ECHO.”

Our Strategy

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

Expand our client base.   We intend to develop new long-term client relationships by using our industry experience and expanding our sales and marketing activities. As of December 31, 2010, we had contracts with 148 enterprise clients, and the total number of enterprise clients increased by 30 and 32 in 2009 and 2010, respectively. We seek to attract new enterprise clients by targeting companies with substantial transportation needs and demonstrating our ability to reduce their transportation costs by using our ETM technology platform. In addition, we plan to continue to hire additional sales representatives to build our transactional business across all major modes. We believe our business model provides us with a competitive advantage in recruiting sales representatives as it enables our representatives to leverage our proprietary technology and carrier network to market a broader range of services to their clients at competitive prices.

Further penetrate our established client base.   We believe our established client base presents a substantial opportunity for growth. As we demonstrate our ability to execute shipments with high levels of service and favorable pricing, we are able to strengthen our relationships with our clients, penetrate incremental modes and geographic areas and generate more shipments. As we become more fully integrated into the businesses of our transactional clients and are able to identify additional opportunities for efficiencies, we seek to further penetrate our client base by selling our enterprise services to those clients. Of our 148 enterprise clients as of December 31, 2010, 80 began as our transactional clients.

Further invest in our proprietary technology platform.   We intend to continue to improve and develop Internet and software-based information technologies that are compatible with our ETM platform. In order to continue to meet our clients' transportation requirements, we intend to invest in specific technology applications and personnel in order to improve and expand our offering. As of December 31, 2010, we had approximately 1,200 individual active users of ETM and as the number of users expands, we will continue to invest in both IT development and infrastructure.

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

Our Proprietary Technology Platform

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

Our clients communicate their transportation needs to us electronically through our EchoTrak web portal, other computer protocols, or by phone. ETM generates pricing and carrier information for our clients by accessing pre-negotiated rates with preferred carriers or using present or historical pricing and capacity information contained in our database. If a client enters its own shipment, ETM automatically alerts the appropriate account executive. ETM's pricing algorithms are checked for accuracy before the rates are made available to our account executives. If an error occurs and an inaccurate rate is conveyed to a client, we will honor the quoted rate and correct the defective algorithm to ensure that all quoted rates going forward are accurately

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calculated. To date, any losses incurred as a result of an inaccurate quote have been negligible. After the carrier is selected, either by us or the client, our account executives use our ETM technology platform to manage all aspects of the shipping process.

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

The key elements of our ETM technology platform include:

FastLane is an Internet-based web portal that allows our carriers to view the status of all unpaid invoices, unbilled shipments, shipments in transit and other information used to quickly resolve any billing discrepancies.

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

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

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

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

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

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

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

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

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

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

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

We recently began to market Flex TMS. Flex TMS is a software-as-a-service TMS (Transportation Management System) with integrated managed services. This "a-la-carte" product provides shippers with a customized, cost effective solution for their logistics needs. It offers clients a standard solution which includes routing guide management, automated load entry, tendering and acceptance, load visibility with customized reporting and analytics complemented by industry experts to assist with freight management.

In 2008, 2009 and 2010 we spent approximately $3.0 million, $2.5 million and $5.1 million, respectively, on the development of ETM and related technologies.

Our IT infrastructure provides a high level of security for our proprietary software and database. The storage system for our proprietary data is designed to ensure that power and hardware failures do not result in the loss of critical data. The proprietary data is protected from unauthorized access through a combination of physical and logical security measures, including firewalls, encryption, antivirus software, anti-spy software, passwords and physical security, with access limited to authorized IT personnel. In addition to our security infrastructure, our system is backed up daily to prevent the loss of our proprietary data due to catastrophic failures or natural disasters.

Our Services

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

Transportation Services

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

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

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

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

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

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

Logistics Services

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

- rate negotiation;
- procurement of transportation, both contractually and in the spot market;
- shipment execution and tracking;
- carrier management, reporting and compliance;
- executive dashboard presentations and detailed shipment reports;
- freight bill audit and payment;
- claims processing and service refund management;
- design and management of inbound client freight programs;
- individually configured web portals and self-service data warehouses;
- ERP integration with transactional shipment data;
- and integration of shipping applications into client e-commerce sites.

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

Our Clients

We provide transportation and logistics services to corporate clients across a wide range of industries, such as manufacturing, construction, consumer products and retail. In 2010, we served over 22,700 clients using approximately 9,100 different carriers and, from January 2005 through December 31, 2010, we served over 37,000 clients using approximately 15,000 different carriers. Our clients fall into two categories: enterprise and transactional.

Enterprise Clients

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

Our enterprise contracts are often on an exclusive basis for a certain transportation mode or point of origin and may apply

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

We recently began to market Flex TMS, which is a contractual agreement enabling our client to utilize our technology in exchange for transaction fees. Our transaction fees may be reduced to the extent that we manage a portion of the client's transportation. As of December 31, 2010, two of our enterprise clients were part of our Flex TMS programs.

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

Our annual revenue from individual enterprise clients typically ranges from $100,000 to $20.0 million. Our revenue from all enterprise clients increased in the last two years, from $87.4 million in 2008 to $109.1 million in 2009 and to $165.4 million in 2010. Our revenue from enterprise clients as a percentage of total revenue was 43% in 2008, 42% in 2009 and 39% in 2010.

Transactional Clients

We provide transportation and logistics services to our transactional clients on a shipment-by-shipment basis, which are typically priced to our carriers on a spot, or transactional, basis. Our annual revenue from individual transactional clients typically ranges from $1,000 to $50,000. Of our 50 largest transactional clients in 2009, 47 placed orders with us during 2010, which we believe demonstrates our ability to meet a variety of transportation requirements on a recurring basis.

Our Carrier Network

Our carrier network provides our clients with substantial breadth and depth of offerings within each mode. In 2010, we used approximately 8,300 TL carriers, 100 LTL carriers, 10 small parcel carriers, 94 inter-modal carriers, 10 domestic air carriers and 80 international carriers. Our ability to attract new carriers to our network and maintain good relationships with our current carriers is critical to the success of our business. We rely on our carriers to provide the physical transportation services for our clients, valuable pricing information for our proprietary database and tracking information throughout the shipping process from origin to destination. We believe we provide value to our carriers by enabling them to fill excess capacity on traditionally empty routes, repositioning their equipment and therefore offsetting their substantial overhead costs to generate incremental revenue. In addition, we introduce many of our clients to new carriers and broaden each carrier's market presence by expanding its sales channels to a larger client base.

We select carriers based on their ability to effectively serve our clients with respect to price, technology capabilities, geographic coverage and quality of service. In the small parcel mode, we use nationally recognized carriers, such as FedEx and UPS. In other transportation modes, we maintain the quality of our carrier network by obtaining documentation to ensure each carrier is properly licensed and insured, and has an adequate safety rating. In addition, we continuously collect information on the carriers in our network regarding capacity, pricing trends, reliability, quality control standards and overall customer service. We believe this quality control program helps to ensure that our clients receive high-quality service regardless of the carrier that is selected for an individual shipment. In 2010, we used approximately 8,500 of the over 24,000 carriers in our network to provide shipping services to our clients.

The carriers in our network are of all sizes, including large national trucking companies, mid-sized fleets, small fleets and owner-operators of single trucks. We are not dependent on any one carrier, and our largest carriers by TL, LTL and small parcel accounted for less than 0.7, 6.2% and 5.3%, respectively, of our total transportation costs across all modes in 2010. For international shipments, we currently rely on one forwarder to provide substantially all of our transportation. We consider our relationship with this carrier to be strong. In 2009 and 2010, international shipments accounted for 3% and 2% of our revenue, respectively.

Sales and Marketing

We market and sell our transportation and logistics services through our sales personnel located in four cities across the United States. As of December 31, 2010, our sales team consisted of 7 enterprise sales representatives, 375 transactional sales representatives and 199 sales agents. Our enterprise sales representatives typically have significant sales expertise and are

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focused on building relationships with clients' senior management teams to execute enterprise contracts. Our transactional sales representatives, located at our headquarters in Chicago, as well as in our regional offices in Atlanta, Dallas, and Detroit, are focused on building new transactional client relationships and migrating transactional accounts to enterprise accounts. Our agents, located in regional shipping markets throughout the United States, are typically experienced industry sales professionals focused on building relationships with our clients' transportation managers. We support our sales team with account executives. These individuals are generally responsible for customer service, developing relationships with client personnel and managing the shipping process from origin to destination.

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

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

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

Our transactional sales representatives, who focus on sales of our transportation and logistics services on a shipment-by-shipment basis, concentrate on building relationships with our transactional clients that could benefit from the competitive pricing and enhanced service associated with our services. Our ability to work with clients on a transactional basis provides us with an opportunity to demonstrate the cost savings associated with our technology-driven services before the client considers moving to a fully-outsourced enterprise engagement. Since January 2005, 80 transactional clients have migrated to an enterprise agreement.

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

We had 24 sales representatives and agents as of December 31, 2005, and have grown to 581 as of December 31, 2010. We intend to continue to hire sales representatives and agents with established client relationships that we believe can be developed into new revenue opportunities. We also expect to augment our sales force through selective acquisitions of transportation and logistics service providers with experienced sales representatives and agents in strategic geographical locations.

Competition

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

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

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

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

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

Intellectual Property

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

- include a confidentiality undertaking by the employee or independent contractor;
- ensure that all new intellectual property developed in the course of our relationship with employees or independent contractors is assigned to us;
- and require the employee or independent contractor to cooperate with us to protect our intellectual property during and after his or her relationship with us.

Government Regulation

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

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size) that could affect the economics of the industry by requiring changes in operating practices or the cost of providing transportation services.

Our international operations are impacted by a wide variety of U.S. government regulations. These include regulations of the U.S. Department of State, U.S. Department of Commerce and the U.S. Department of Treasury. Regulations cover matters such as what commodities may be shipped to what destination and to what end-user, unfair international trade practices and limitations on entities with whom we may conduct business.

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

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

Although Congress enacted legislation in 1994 that substantially preempts the authority of states to exercise economic regulation of motor carriers and brokers of freight, some intrastate shipments for which we arrange transportation may be subject to additional licensing registration, or permit requirements. We generally contractually require and/or rely on the carrier transporting the shipment to ensure compliance with these types of requirements. We, along with the contracted carriers that we rely upon, are also subject to a variety of federal and state safety and environmental regulations. 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 client files a claim for the damaged shipment with us. In the cases where we have agreed (either contractually or otherwise) to pay for claims for damage to freight while in transit, we pursue reimbursement from the carrier for the claims. If we are unable to recover all or any portion of the claim amount from our carrier, we may bear the financial loss. We mitigate this risk by using our quality program to carefully select carriers with adequate insurance, quality control procedures and safety ratings. We also take steps to ensure that the coverage we provide to our clients for damaged shipments is substantially similar to the coverage that our carriers provide to us. In addition, we carry our own insurance to protect against client claims for damaged shipments, in cases where a carrier's coverage may have lapesed.

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

We require all motor carriers we work with to carry at least $1.0 million in auto and general liability insurance and $100,000 in cargo insurance. We also maintain a broad cargo liability insurance policy to protect us against catastrophic losses that may not be recovered from the responsible carrier, and carry various liability insurance policies, including auto and general liability. Our collective insurance policies have a cap of $20.0 million.

Employees

As of December 31, 2010, we had 709 employees, consisting of 7 enterprise sales representatives, 375 transactional sales representatives, 187 account executives, 46 technology personnel and 94 administrative personnel. We also had 199 independent contractors working as sales agents, and a 30-person workforce based at our build, operate, transfer (BOT) facilities in Pune and Kolkata, India. We consider our employee relations to be good.

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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, Current Reports on Form 8-K, including exhibits and any amendments to those reports, filed with or furnished to the Securities and Exchange Commission. 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 Securities and Exchange Commission. 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 Securities and Exchange Commission.

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 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, inter-modal, domestic air, expedited and international 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 switch to 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 truckload 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.

Competition could substantially impair our business and our operating results.

Competition in the transportation services industry is intense. We compete against other non-asset-based logistics companies as well as asset-based logistics companies; freight forwarders that dispatch shipments via asset-based carriers; carriers offering logistics services; internal shipping departments at companies that have substantial transportation requirements; large business process outsourcing (BPO) service providers; and smaller, niche service providers that provide services in a specific geographic market, industry segment or service area. We also compete against carriers' internal sales forces and shippers' transportation departments. At times, we buy transportation services from our competitors. Historically, competition has created a downward pressure on freight rates, and continuation of this rate pressure may adversely affect the Company's revenue and income from operations.

In addition, a software platform and database similar to ETM 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

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reductions, reduced profit margins or a loss of market share, any one of which could harm our business.

A significant portion of our revenue is derived from a relatively limited number of large clients and any loss of, or decrease in sales to, these clients could harm our results of operations.

A significant portion of our revenue is derived from a relatively limited number of large clients. Revenue from our five largest clients, collectively, accounted for 15% of our revenue in 2010, and revenue from our 10 largest clients, collectively, accounted for 23% of our revenue in 2010. We are likely to continue to experience ongoing customer concentration, particularly if we are successful in attracting large enterprise clients. It is possible that revenue from these clients, either individually or as a group, may not reach or exceed historical levels in any future period. The loss or significant reduction of business from one or more of our major clients would adversely affect our results of operations.

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

Our ability to expand our business will depend, in part, on our ability to attract 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 decrease our operating efficiency, which could lead to a decline in the demand for our services.

We may not be able to develop or implement new systems, procedures and controls that are required to support the anticipated growth in our operations.

Our revenue increased to $426.4 million in 2010 from $7.3 million in 2005, representing an annual revenue growth rate of 353% from 2005 to 2006, 188% from 2006 to 2007, 112% from 2007 to 2008 to 28% from 2008 to 2009 and 64% from 2009 to 2010. Between January 1, 2005 and December 31, 2010, the number of our employees, agents and independent contractors increased from 44 to 908. Continued growth could place a significant strain on our ability to:

- recruit, motivate and retain qualified sales representatives and agents, carrier representatives and management personnel;
- develop and improve our internal administrative infrastructure and execution standards; and
- expand and maintain the operation of our technology infrastructure in a manner that preserves a quality customer experience.

To manage our growth, we must implement and maintain proper operational and financial controls and systems. Further, we will need to manage our relationships with various clients and carriers. We cannot give any assurance that we will be able to develop and implement, on a timely basis, the systems, procedures and controls required to support the growth in our operations or effectively manage our relationships with various clients and carriers. If we are unable to manage our growth, our business, operating results and financial condition could be adversely affected.

If we are unable to maintain ETM, our proprietary software, demand for our services and our revenue could decrease.

We rely heavily on ETM, our proprietary software, 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.

We have not registered any patents nor trademarks 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 also have not 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 ETM; 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, ETM 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 may be sued by third-parties for alleged infringement of their intellectual or proprietary rights.

Our use of ETM or other technologies could be challenged by claims that such use infringes, misappropriates or otherwise violates the intellectual property rights of third-parties. Any intellectual property claims, with or without merit, could be time-consuming and costly to resolve, could divert management's attention from our business and could require us to pay substantial monetary damages. Any settlement or adverse judgment resulting from such a claim could require us to enter into a licensing agreement to continue using the technology that is the subject of the claim, or could otherwise restrict or prohibit our use of such technology. There can be no assurance that we would be able to obtain a license on commercially reasonable terms, if at all, from the party asserting an infringement claim, or that we would be able to develop or license a suitable alternative technology to permit us to continue offering the affected services to our clients. Our insurance coverage for claims of infringement, misappropriation, or other violation of the intellectual property rights of third-parties may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims against us, and our insurers may disclaim coverage as to any future claims. An uninsured or underinsured claim could result in unanticipated costs thereby reducing operating results.

We have a long selling cycle to secure a new enterprise contract and a long implementation cycle, which require significant investments of resources.

We typically face a long selling cycle 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 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 approximately 58% and 61% of our revenue in 2009 and 2010, 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

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with enterprise clients typically have terms of one to three years and are subject to termination provisions negotiated on a contract-by-contract basis. These termination provisions typically provide the client with the ability to terminate upon 30 or 60 days' advance written notice in the event of a material breach. Included as a material breach is the Company's failure to provide the negotiated level of cost savings. In some cases, the enterprise contracts may be terminated by providing written notice within 60 days of execution or may be terminated upon 60 to 90 days' advanced written notice for any reason. Enterprise contracts accounting for 9.3% and 17.1% of our revenue in 2010 are scheduled to expire (subject to possible renewal) in 2011 and 2012, 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. 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 to renew their engagements with us, or if the volume of their shipping orders 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.

If we are unable to deliver agreed upon cost savings to our enterprise clients, we could lose those clients and our results could suffer.

Our contracts with enterprise clients typically commit us to deliver a negotiated level of cost savings compared to our clients' historical shipping expenditures over a fixed period of time. We then estimate cost savings periodically during the term of our engagement and if the negotiated amount is not achieved, the client has the right to terminate the contract. Any number of factors, including a downturn in the economy, increases in costs, or decreases in the availability of transportation capacity, could impair our ability to provide the agreed cost savings. Even if our enterprise clients do not terminate their contracts with us as a result, our results of operations will suffer, and it may become more difficult to attract new enterprise clients.

The current uncertainty economic conditions of the global and domestic economy may have a material adverse affect on our business, results of operations and financial condition.

Our business, results of operations and financial condition are materially affected by the conditions in the global and domestic economy. The stress experienced by the global capital markets that began in the second half of 2007, substantially increased during the second half of 2008 and continued during 2009. The current economic environment continues to be uncertain. Concerns over unemployment, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the United States have contributed to increased volatility and diminished expectations for the economy and the financial markets going forward. These factors, combined with volatile oil prices and low business and consumer confidence, have precipitated a recession.

These events may have an adverse affect on us, our carriers and our clients. Carriers may charge higher prices to cover higher operating expenses such as higher fuel prices, costs associated with regulatory compliance and other factors beyond our control. Our gross profits and income from operations may decrease if we are unable to pass through to our clients the full amount of these higher transportation costs. In addition, our business, results of operations and financial condition may be negatively impacted by decreases in the volume of freight shipped by our clients due to decreases in their business volume or price increases by our carriers. If we are not able to timely and appropriately adapt to changes resulting from the difficult economic environment, our business, results of operations and financial condition may be materially and adversely affected.

High fuel prices may increase 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 recently reached historically high levels in the past couple years and continue to be volatile and difficult to predict. 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 higher 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, such as inter-modal. 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.

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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.

We use our proprietary technology platform to compile freight and logistics data from our network of over 24,000 carriers. In 2010, we used approximately 8,300 TL carriers, 100 LTL carriers, 10 small parcel carriers, 94 inter-modal carriers, 10 domestic air carriers and 80 international carriers. 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 ETM, 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. In 2009 and 2010, our revenue was $259.6 million and $426.4 million, respectively, and our top 10 clients accounted for 27% and 23% of our revenue, respectively. If any of our key clients fail to pay for our services, our profitability would be negatively impacted.

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. The current economic conditions of the global and domestic economy have resulted in an increasing trend of business failures, downsizing and delinquencies, which may 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.

A prolonged outage of our ETM database could result in reduced revenue and the loss of clients.

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 ETM technology platform relies heavily on our telecommunication service providers, our electronic delivery systems and the Internet, which exposes us to a number of risks over which we have no control, including risks with respect to increased prices, termination, failures and disruptions of essential services.

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.

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 the Company's 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 limited operating history makes it difficult to evaluate our business, prospects and future financial performance.

We formed our business in January 2005 and have a limited operating history, which makes evaluating our current business and prospects difficult. The revenue and income potential of our business is uncertain, which makes it difficult to accurately predict our future financial performance. We incurred net losses of $0.5 million in 2005 and $0.2 million in 2006, and we may incur net losses in the future. We may also face periods where our financial performance falls below investor expectations. As a result, the price of our common stock may decline.

Because many of the members of our management team have been employed with us for a short period of time, we cannot be certain that they will be able to manage our business successfully.

We are dependent on our management team for our business to be successful. Because of our limited operating history, many of our key management personnel have been employed by us for less than three years. Therefore, we cannot be certain that we will be able to allocate responsibilities appropriately and that the new members of our management team will succeed in their roles. Our inability to integrate recent additions to our current management team with our business model would make it difficult for us to manage our business successfully and to pursue our growth strategy.

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

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effect on our business and the market price of our common stock.

We may face difficulties as we expand our operations into countries in which we have limited operating experience.

We provide transportation services within and between continents on an increasing basis. In 2009 and 2010, international transportation accounted for 3% and 2% of revenue, respectively. We intend to continue expanding our global footprint, specifically in international-air and ocean modes, in order to maintain an appropriate cost structure and meet our clients' delivery needs. This may involve expanding into countries other than those in which we currently operate or increasing our operations in countries which we currently have limited operations. Our business outside of the United States is subject to various risks, including:

- changes in economic and political conditions in the United States and abroad;
- changes in compliance with international and domestic laws and regulations;
- wars, civil unrest, acts of terrorism and other conflicts;
- natural disasters;
- changes in tariffs, trade restrictions, trade agreements and taxations;
- difficulties in managing or overseeing foreign operations;
- limitations on the repatriation of funds because of foreign exchange controls;
- less developed and less predictable legal systems than those in the United States; and
- intellectual property laws of countries which do not protect our intellectual property rights to the same extent as the laws of the United States.

The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region and/or decrease the profitability of our operations in that region.

As we expand our business in foreign countries, we will become exposed to increased risk of loss from foreign currency fluctuations and exchange controls as well as longer accounts receivable payment cycles. We have limited control over these risks, and if we do not correctly anticipate changes in international economic and political conditions, we may not alter our business practices in time to avoid adverse effects.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

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 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. The application for our ocean transportation intermediary license from the Federal Maritime Commission to act as an ocean freight forwarder and as a non-vessel operating common carrier has been submitted, and we expect to be issued the license upon the completion of certain compliance requirements.

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We are currently providing customs broker services through contacts with licensed customs brokers. We are in the process of obtaining a license as a customs broker, and as a licensed customs broker we will be required to comply with applicable customs and customs broker regulations. We intend to register as an indirect air carrier with the Transportation Security Administration, and as a registered indirect air carrier we will be required to comply with air security regulations imposed by the Transportation Security Administration.

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.

If the key members of our management team do not remain with us in the future, our business, operating results and financial condition could be adversely affected.

Our future success may depend to a significant extent on the continued services of Douglas R. Waggoner, our Chief Executive Officer; David B. Menzel, our Chief Financial Officer; and Samuel K. Skinner, our non-executive Chairman. The loss of the services of any of these or other individuals could adversely affect our business, operating results and financial condition and could divert other senior management time in searching for their replacements.

We are subject to the internal control evaluation and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include in our annual report our assessment of the effectiveness of our internal control over financial reporting as of the end of each fiscal year. Furthermore, our independent registered public accounting firm ("Firm") is required to report on whether it believes we maintained, in all material respects, effective internal control over financial reporting as of the end of each fiscal year. We successfully completed our assessment and obtained the Firm's report as to the effectiveness of our internal control over financial reporting as of December 31, 2010. In future years, if we fail to timely complete this assessment, or if we cannot obtain our Firm's report as to the effectiveness of our internal control over financial reporting, we could be subject to regulatory sanctions and a loss of public confidence in our internal control. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to timely meet our regulatory reporting obligations.

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 and respond to competitive pressures.

Risks Related to Ownership of Our Common Stock

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

The trading prices of many newly publicly-traded companies are highly volatile. Since our initial public offering in October 2009 through March 9, 2011, 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 $15.81 on October 25, 2010.

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 competitive products or services;
- changes in our capital structure, such as future issuances of debt or equity securities;
- 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;

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- 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 in general 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 distraction to management. As a result, you could lose all or part of your investment.

Because a limited number of stockholders control the majority of the voting power of our common stock, our other stockholders will not be able to determine the outcome of stockholder votes.

As of December 31, 2010, Eric P. Lefkofsky, Richard A. Heise, Jr., Bradley A. Keywell, affiliates of the Nazarian family and affiliates of New Enterprise Associates, directly or indirectly, beneficially own and have the ability to exercise voting control over, in the aggregate, approximately 44% of our outstanding common stock. As a result, these stockholders are able to exercise significant control over all matters requiring stockholder approval, including the election of directors, any amendments to our certificate of incorporation and significant corporate transactions. These stockholders may exercise this control even if they are opposed by our other stockholders. Without the consent of these stockholders, we could be delayed or prevented from entering into transactions (including the acquisition of our company by third-parties) that may be viewed as beneficial to us or our other stockholders. In addition, this significant concentration of stock ownership may adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with controlling stockholders.

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 continued use of our services by our clients depends, in part, on the business activity of our clients and our ability to meet their cost saving needs, as well as their own changing business conditions. In addition, a significant percentage of our revenue is subject to the discretion of our transactional clients, who may stop using our services at any time, and the transportation industry in which we operate 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. 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.

Item 2. Properties

Our principal executive offices are located in Chicago, Illinois. As of December 31, 2010, we conducted our business from the following properties, all of which are leased:

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Location	Use
Chicago, Illinois	Corporate Headquarters
Matteson, Illinois	Business Development
Los Angeles, California	Business Development
Vancouver, Washington	Business Development
Park City, Utah	Business Development
Troy, Michigan	Business Development
Little Rock, Arkansas	Business Development
Buffalo, Minnesota	Business Development
Coon Rapids, Minnesota	Business Development
Atlanta, Georgia	Business Development
Andover, Minnesota	Business Development
Dallas, Texas	Business Development
Green Bay, Wisconsin	Business Development
Bend, Oregon	Business Development
San Franciso, California	Business Development

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.

In October 2010, we filed a lawsuit against one of our former enterprise clients demanding payment of outstanding amounts due. Management believes all billed amounts, approximately $2.7 million, are due and collectible and as such, the entire amount due is reflected in accounts receivable as of December 31, 2010 and the allowance for doubtful accounts has not been adjusted. Concurrently, a lawsuit was filed by this client against us alleging damages of approximately $2.5 million. Management believes this lawsuit is without merit and intends to vigorously dispute this claim.

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. Reserved

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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 listed and has been traded on the Nasdaq Global Market under the symbol "ECHO" since October 2, 2009. The following table sets for the high and low sales price for our common stock as reported by the Nasdaq Global Market for each of the periods listed.

2009	High	Low
Fourth Quarter (from October 2, 2009)	$15.18	$12.05
2010	High	Low
First Quarter	$14.02	$10.18
Second Quarter	$14.00	$11.80
Third Quarter	$13.85	$10.73
Fourth Quarter	$16.09	$9.85

Holders

As of March 10, 2011, there were 19 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.

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Registered Securities

In connection with our initial public offering, we offered and sold 5,700,000 shares of common stock at price of $14.00 per share. The offer and sale of the shares in the initial public offering were registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-150514), which was declared effective by the Securities and Exchange Commission on October 1, 2009. The managing underwriters in this offering were Morgan Stanley & Co. Incorporated, Credit Suisse Securities (USA) LLC, William Blair & Company, L.L.C., Thomas Weisel Partners LLC, Barrington Research Associates, Inc. and Craig-Hallum Capital Group, Inc.

After deducting underwriting discounts and commissions and offering related expenses, our net proceeds from the initial public offering were approximately $68.6 million. In connection with the offering, we paid underwriting discounts and commissions of approximately $5.6 million and paid approximately $5.6 million in offering expenses. We used a portion of these net proceeds to repay all outstanding principal and accrued interest under our line of credit with JPMorgan Chase Bank, N.A., which bears interest at a rate of either the prime rate or LIBOR plus 2.25% and matured on July 31, 2010 (approximately $14.0 million), and approximately $6.9 million of our net proceeds from the offering to repay all outstanding principal and accrued interest under our term loan payable to EGL Mezzanine LLC, which bore interest at a rate of 13.0% and was set to mature on June 2, 2012, members of which included certain of our directors, officers and stockholders, and which we incurred in connection with our acquisition of RayTrans Distribution Services. In addition to the foregoing purposes, we used approximately $3.5 million of the net proceeds to make required accrued dividend payments to the holders of our Series B and D preferred shares, which holders include certain of our director or entities owned or controlled by them.

In 2010, we used approximately $6.7 million dollars on new business acquisitions. In addition, $2.0 million dollars was used to fund earn-out payments made related to 2007 acquisitions as certain performance measurements were achieved. We plan to invest the remaining proceeds to further expand our sales force, continue to acquire or make strategic investments in complementary businesses and for working capital and other general corporate purposes.

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Issuer Purchases of Equity Securities

None.

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Item 6. Selected Consolidated Financial Data

The following table presents selected consolidated financial and other data as of and for the periods indicated. The share amounts and per share dollar amounts below give effect to the one-for-two reverse stock split retroactively. You should read the following information together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes.

	Years ended December 31,				
	2006	2007	2008	2009	2010
	(dollars and shares in thousands, except per share data)				
Consolidated statements of operations data:					
Revenue	$33,195	$95,461	$202,807	$259,561	$426,374
Transportation costs	27,704	75,535	159,717	203,893	345,209
Net revenue	5,491	19,926	43,090	55,668	81,165
Operating expenses:					
Commissions	866	4,433	11,799	15,816	24,871
Selling, general and administrative	4,387	12,037	23,115	29,001	35,907
Depreciation and amortization	691	1,845	3,231	4,991	6,926
Total operating expenses	5,944	18,315	38,145	49,808	67,704
Income (loss) from continuing operations	(453)	1,611	4,945	5,860	13,461
Other income (expense)	201	191	(144)	(1,275)	(291)
Income (loss) before income taxes and discontinued operations	(252)	1,802	4,801	4,585	13,170
Income tax benefit (expense)	220	(749)	(1,926)	611	(4,765)
Income (loss) before discontinued operations	(32)	1,053	2,875	5,196	8,405
Loss from discontinued operations	(214)	—	—	—	—
Net income (loss)	(246)	1,053	2,875	5,196	8,405
Dividends on preferred shares	(749)	(1,054)	(1,054)	(807)	—
Net income (loss) applicable to common stockholders	$(995)	$(1)	$1,821	$4,389	$8,405
Net income (loss) per share of common stock:					
Basic	$(0.09)	$—	$0.15	$0.30	$0.38
Diluted	$(0.09)	$—	$0.14	$0.29	$0.38
Shares used in per share calculations:					
Basic	11,194	11,713	12,173	14,703	21,863
Diluted	11,194	11,713	12,817	15,089	22,239
Unaudited pro forma income tax benefit (expense)(1)	$(34)				
Unaudited pro forma net loss(1)	$(280)				

	Years ended December 31,				
	2006	2007	2008	2009	2010
	(dollars and shares in thousands, except per share data)				
Other data:					
Enterprise clients(2)	27	62	92	116	148
Transactional clients served in period(3)	650	4,566	11,952	15,259	22,617
Total clients(4)	677	4,628	12,044	15,375	22,765

Employees, agents and independent contractors(5)	105	344	664	835	908

(1) Unaudited pro forma data presented gives effect to our conversion on June 7, 2006 into a corporation as if it occurred at the

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

(2) Reflects number of enterprise clients on the last day of the applicable period.
(3) Reflects number of transactional clients served in the applicable period.
(4) Reflects total number of enterprise clients determined on the last day of the applicable period and number of transactional clients served in the applicable period.
(5) Reflects number of employees, agents and independent contractors on the last day of the applicable period.

	As of December 31,				
	2006	2007	2008	2009	2010
	(in thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	$8,853	$1,569	$1,873	$47,804	$43,218
Working capital	7,891	3,556	3,209	65,637	63,591
Total assets	17,048	27,106	45,909	132,675	161,548
Total liabilities	5,602	12,540	27,082	38,885	56,570
Series D convertible preferred shares	17,648	18,695	19,742	—	—
Cash dividends per common share	—	—	—	—	—
Total stockholders' equity (deficit)	$(6,202)	$(4,129)	$(915)	$93,790	$104,978

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

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes and the information contained in this Annual Report on Form 10-K. It contains forward-looking statements that involve risks and uncertainties, and is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those anticipated by our management in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report on Form 10-K, particularly under the heading "Risk Factors."

Overview

We are a leading provider of technology enabled transportation and supply chain management services, delivered on a proprietary technology platform serving the transportation and logistics needs of our clients. Our proprietary web-based technology platform compiles and analyzes data from our network of over 24,000 transportation providers to serve our clients' shipping and freight management needs. Our technology platform, composed of web-based software applications and a proprietary database, enables us to identify excess transportation capacity, obtain competitive rates, and execute thousands of shipments every day while providing high levels of service and reliability. We focus primarily on arranging transportation across the major modes, including truckload (TL), less than truck load (LTL) and small parcel, and we also offer inter-modal (which involves moving a shipment by rail and truck), domestic air, expedited and international transportation services.

We procure transportation and provide logistics services for more than 22,800 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.

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 $202.8 million, $259.6 million and $426.4 million for the years ended December 31, 2008, 2009 and 2010, respectively, reflecting growth rates of 112%, 28% and 64%, respectively, as compared to the corresponding prior year.

Our revenue is generated from two different types of clients: enterprise and transactional. Our enterprise accounts typically generate higher dollar amounts and volume than our transactional relationships. We categorize a client as an enterprise client if we have a contract with the client for the provision of services on a recurring basis. Our contracts with enterprise clients typically have a multi-year term and are often exclusive for a certain transportation mode or point of origin. In several cases, we provide substantially all of a client's transportation and logistics requirements. We categorize all other clients as transactional clients. We provide services to our transactional clients on a shipment-by-shipment basis. As of December 31, 2010, we had 148 enterprise clients and, for the year ended December 31, 2010 we served over 22,700 transactional clients. For the year ended December 31, 2010, we entered into contracts with 32 new enterprise clients. For the years ended December 31, 2008, 2009 and 2010, enterprise clients accounted for 43%, 42% and 39% of our revenue, respectively, and transactional clients accounted for 57%, 58% and 61% of our revenue, respectively. We expect to continue to grow both our enterprise and transactional client base in the future, although the rate of growth for each type of client will vary depending on opportunities in the marketplace.

Revenue recognized per shipment will vary depending on the transportation mode, fuel prices, shipment weight and density and mileage of the product shipped. The primary modes of shipment that we transact in are TL, LTL and small parcel. Other transportation modes include inter-modal, domestic air, expedited services and international. Typically, our revenue is lower for an LTL shipment than for a TL shipment, and revenue per shipment is higher for shipments in modes other than TL, LTL and small parcel. Material shifts in the percentage of our revenue by transportation mode could have a significant impact on our revenue growth. In 2010, LTL accounted for 45% of our revenue, TL accounted for 37% of our revenue, small parcel accounted for 6% of our revenue and other transportation modes accounted for 12% 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 have experienced some seasonality, differences in our revenue between periods have been driven primarily by growth in our client base.

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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 fee structure is primarily variable, although we have entered into a limited number of fixed fee arrangements that represent an insignificant portion of our revenue. Net revenue consists of transportation revenue minus transportation cost. 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 procure services provided by carriers and other third-parties and is considered by management to be the primary measurement of our growth. Although our transportation cost is typically lower for an LTL shipment than for a TL shipment, our 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 results of operations below focuses on changes in our net revenues and expenses as a percentage of net revenue margin. In 2008, 2009 and 2010, our net revenue was $43.1 million, $55.7 million and $81.2 million, respectively, reflecting growth rates of 29% and 46% in 2009 and 2010, respectively, compared to the corresponding prior year.

Operating Expenses

Our costs and expenses excluding transportation costs consist of commissions paid to our sales personnel, selling, general and administrative expenses to run our business 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 they have primary responsibility. In 2008, 2009 and 2010, commission expense was 27.4%, 28.4% and 30.6%, respectively, as a percentage of our net revenue. The percentage of net revenue paid as commissions will vary 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 reflected as a prepaid expense on our balance sheet. As our sales personnel earn commissions, a portion of their commission payment is withheld and offset against their prepaid commission balance, if any.

Our selling, general and administrative expenses, which excludes commission expense, primarily consist of compensation costs for our sales, operations, information systems, finance and administrative support employees and changes to contingent consideration liability. In 2008, 2009 and 2010, our general and administrative expenses were $23.1 million, $29.0 million and $35.9 million, respectively. In 2008, 2009 and 2010, general and administrative expenses as a percentage of net revenue were 53.6%, 52.1% and 44.2%, respectively.

Our depreciation expense is primarily attributable to our depreciation of purchases of computer hardware and software, equipment, furniture and fixtures, and the capitalization of internally developed software. In 2008, 2009 and 2010, depreciation expense was $2.5 million, $4.0 million and $5.1 million, respectively.

Our amortization expense is attributable to our amortization of intangible assets acquired from business combinations, including client relationships, tradenames and non-compete agreements. In 2008, 2009 and 2010, amortization expense was $0.7 million, $1.0 million and $1.8 million, respectively.

Reverse Stock Split and Recapitalization

Prior to our initial public offering, on September 25, 2009, we effectuated a one-for-two reverse stock split of all outstanding shares of our Series A common stock, Series B preferred stock and Series D preferred stock. Immediately following the reverse stock split, we exchanged all outstanding shares of our Series A common stock, Series B preferred stock and Series D preferred stock for newly issued shares of common stock on approximately a one-for-one basis.

Income Taxes

On June 7, 2006, our company completed a conversion pursuant to which Echo Global Logistics, LLC, a limited liability company, converted to Echo Global Logistics, Inc., a corporation. As a limited liability company, we were treated as a partnership for federal income tax purposes. As a result, all items of income, expense, gain and loss of Echo were generally reportable on the tax returns of members of Echo Global Logistics, LLC.

As a result of our conversion, we account for income taxes in accordance with ASC Topic 740 (previously SFAS No. 109, Accounting for Income Taxes), under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. In connection with our conversion, we used $9.4 million of our net proceeds from the issuance of our Series D preferred stock to redeem certain of our Series A common units. Because we redeemed the units as a limited liability company, the cash distribution was taxable to the members and our tax basis increased resulting in the recognition of a deferred tax asset of $3.8 million, for which we recorded a valuation allowance of $2.0 million and a corresponding net increase to additional paid in capital of $2.0 million. The Company evaluated this valuation allowance as of December 31, 2009 and determined it was more likely than not that the existing deferred tax assets would be fully realized, thus the valuation allowance was reduced to zero with the corresponding income tax benefit recorded to income tax expense in 2009. There was no valuation allowance reversal in 2010.

Critical Accounting Policies

Revenue Recognition

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

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

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. The Company generally does not charge interest on past due amounts.

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

Goodwill and Other Intangibles

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with ASC Topic 350 Intangibles - Goodwill and Other, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. The Company evaluates the recoverability of goodwill using a two-step impairment test. For goodwill impairment test purposes, the Company has one reporting unit. In the first step, the fair value for the Company is compared to its carrying value including goodwill. In the case that the fair value is less than the carrying value, a second step is performed that compares the implied fair value of goodwill to the carrying value of the goodwill. 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, the Company has elected to test for goodwill impairment during the fourth quarter of each year. This guidance also requires that intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment whenever impairment indicators exist in accordance with ASC Topic 360 Property, Plant and Equipment. The Company's intangible assets consist of customer relationships, noncompete agreements, and trade names, which are being amortized on the straight-line basis over their estimated weighted-average useful lives of 6 years, 3 years and 3 years, respectively.

Contract Costs

Cost of contracts represents the incremental direct costs incurred related to the acquisition or origination of certain

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customer contracts. Costs capitalized are amortized over the life of the contracts.

Stock-Based Compensation

In 2010, the Company granted 545,000 options to certain employees at exercise prices ranging from $11.31 to $13.00, of which 80,000 will vest ratably over 4 years. The remaining 465,000 options will vest ratably over 5 years.

The Company accounts for stock-based compensation in accordance with ASC Topic 718 Compensation - Stock Compensation which requires all share-based payments to employees, including grants of stock options, to be recognized in the income statement based upon their fair values. Share-based employee compensation costs are recognized as a component of selling, general and administrative expense in the consolidated statements of income. The Company recorded $626,944, $521,370 and $592,372 in compensation expense for the years ended December 31, 2008, 2009 and 2010, respectively. For more information related to the Company's stock-based compensation programs, see "Note 14—Stock-Based Compensation Plans" for a description of the Company's accounting for stock-based compensation plans.

Initial Public Offering Costs

Costs associated with the initial public offering were reclassed to additional paid-in-capital upon completion of the initial public offering in October of 2009. At the end of 2009, approximately $270,000 in costs that had been reclassed to additional paid-in-capital still had not been paid. These costs were paid in the first quarter of 2010 in addition to approximately $50,000 in costs that had not been accrued for as of December 31, 2009.

Results of Operations

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

	Years Ended December 31,					
	2008		2009		2010	
	(dollars in thousands)					
Consolidated statements of operations data:						
Revenue	$202,807		$259,561		$426,374	
Transportation costs	159,717		203,893		$345,209	
Net revenue	$43,090		$55,668		$81,165	
Operating expenses:						
Commissions	11,799		15,816		24,871	
Selling, general and administrative expenses	23,115		29,001		35,907	
Depreciation and amortization	3,231		4,991		6,926	
Total operating expenses	38,145		49,808		67,704	
Income from operations	$4,945		$5,860		$13,461	
Stated as a percentage of net revenue:						
Net revenue	100.0	%	100.0	%	100.0	%
Operating expenses:						
Commissions	27.4	%	28.4	%	30.6	%
Selling, general and administrative expenses	53.6	%	52.1	%	44.2	%
Depreciation and amortization	7.5	%	9.0	%	8.5	%
Total operating expenses	88.5	%	89.5	%	83.3	%
Income from operations	11.5	%	10.5	%	16.7	%

Comparison of years ended December 31, 2010 and 2009

Revenue

Our revenue increased by $166.8 million, or 64.3%, to $426.4 million in 2010 from $259.6 million in 2009. The increase was primarily attributable to the increase in the number of our clients, the total number of shipments executed on behalf of, and services provided to these clients. The increase was also partially due to an increase in transportation rates due to pricing

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increases caused by a reduction in capacity in the truckload marketplace during 2010. In addition, $68.2 million of revenue was generated in 2010 from acquisitions that were completed in 2009 and 2010 compared to $23.9 million in 2009.

Our revenue from enterprise clients increased by $56.3 million, or 51.6%, to $165.4 million in 2010 from $109.1 million in 2009, resulting from an increase in the number of enterprise clients and shipments executed and services provided. As we increased our number of transactional clients, our percentage of revenue from enterprise clients decreased to 39% of our revenue in 2010 from 42% of our revenue in 2009. As of December 31, 2010, we had 148 enterprise clients under contract, which was an increase of 32, compared to 116 enterprise clients under contract as of December 31, 2009.

Our revenue from transactional clients increased by $110.5 million, or 73.4%, to $260.9 million in 2010 from $150.4 million in 2009. The growth in revenue from transactional clients during this period was driven by the increase in the number of our transactional clients due to the addition of transactional sales representatives and sales agents as well as an increase in the average revenue generated by transactional sales representatives and sales agents, including those acquired in 2010 acquisitions. Our percentage of revenue from transactional clients increased to 61% of our revenue in 2010 from 58% of our revenue in 2009. We served over 22,700 transactional in 2010, an increase of approximately 7,700 compared to the 15,000 transactional clients served in 2009.

Transportation costs

Our transportation costs increased by $141.3 million, or 69.3%, to $345.2 million in 2010 from $203.9 million in 2009. The growth in the total number of shipments executed to service of our clients accounted for most of the increase in our transportation costs during this period. Our transportation costs as a percentage of revenue increased to 81.0% in 2010 from 78.6% in 2009, due to an increase in transportation rates, primarily in the truckload market.

Net revenue

Net revenue increased by $25.5 million, or 45.8%, to $81.2 million in 2010 from $55.7 million in 2009. The growth in the total number of shipments executed to sercvice of our clients accounted for most of the increase in our net revenue during this period. The remaining increase in net revenue was the result of the $11.4 million generated from acquisitions completed in 2009 and 2010. Net revenue margins decreased to 19.0% in 2010 from 21.4% in 2009. The decrease in net revenue margins was the result of tightening in capacity in the truckload market resulting in higher costs and higher mix of truckload revenue.

Operating expenses

Commission expense increased by $9.1 million, or 57.3%, to $24.9 million in 2010 from $15.8 million in 2009. This increase is attributable to the increase in net revenue.

Selling, general and administrative expenses increased by $6.9 million, or 23.8%, to $35.9 million in 2010 from $29.0 million in 2009. The increase is primarily the result of hiring personnel to support our growth. This increase was offset by a $4.7 million reduction to the contingent consideration due to seller primarily related to the acquisitions of RayTrans Distribution Services and FMI. As a percentage of net revenue, general and administrative expenses decreased to 44.2% in 2010 from 52.1% in 2009. The decrease, as a percentage of net revenue, is partially attributable to the reduction of contingent consideration due to seller as well as our ability to add clients and sales personnel in order to increase our net revenue without the same corresponding increase in our general and administrative expenses.

Depreciation and amortization

Depreciation expense increased by $1.1 million, or 28.4%, to $5.1 million in 2010 from $4.0 million in 2009. The increase in depreciation expense is primarily attributable to purchases of computer hardware and software, equipment, furniture and fixtures, and the capitalization of internally developed software. Amortization expense increased by $0.8 million, or 72.5%, to $1.8 million million in 2010 from $1.0 million in 2009. The increase in amortization expense is the result of the intangibles acquired as part of the acquisitions made in 2010.

Income from operations

Income from operations increased by $7.6 million to $13.5 million in 2010 from $5.9 million in 2009. $4.7 million of the increase was attributable to the reduction in contingent consideration liability and the remaining $2.9 million is attributable to the increase in net revenue in excess of the increase in operating expenses, due to improved leverage gained through the growth of our business.

Other expense and income tax

Other expense decreased to $0.3 million in 2010 from $1.3 million in 2009. The decrease is due to interest expense of

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approximately $0.8 million related to additional borrowings on our line of credit and the subordinated debt agreement entered into in 2009. The subordinated debt agreement was paid in full upon our initial public offering. In addition, there was a $200,000 increase in other expense related to miscellaneous tax expenses in 2009.

Provision for income taxes increased by $5.4 million to $4.8 million in 2010 from income tax benefit of $0.6 million in 2009. The increase was the result of the 2009 reversal of the $2.0 million valuation allowance recorded initially in June 2006. Periodically, we review the continuing need for the valuation allowance based on the factors existing at the time of review. We evaluated this valuation allowance as of December 31, 2009 and determined that the full valuation allowance was no longer needed. There was no valuation allowance reversal in 2010.

Net Income

Net income increased by $3.2 million to $8.4 million in 2010 from $5.2 million in 2009 related to the items previously discussed.

Comparison of years ended December 31, 2009 and 2008

Revenue

Our revenue increased by $56.8 million, or 28.0%, to $259.6 million in 2009 from $202.8 million in 2008. The increase was attributable to the increase in the number of our clients, the total number of shipments executed on behalf of, and services provided to these clients. This was partially offset by a decrease in the transportation rates due to pricing declines caused by a weaker economy. In addition, $14.4 million of revenue was generated in 2009 from the RayTrans Distribution Services acquisition.

Our revenue from enterprise clients increased by $21.7 million, or 24.8%, to $109.1 million in 2009 from $87.4 million in 2008, resulting from an increase in the number of enterprise clients and shipments executed and services provided. As we increased our number of transactional clients, our percentage of revenue from enterprise clients decreased to 42% of our revenue in 2009 from 43% of our revenue in 2008. As of December 31, 2009, we had 116 enterprise clients under contract, which was an increase of 24, compared to 92 enterprise clients under contract as of December 31, 2008. Our shipment volume and revenue per enterprise client decreased in 2009 due to the overall domestic economic climate.

Our revenue from transactional clients increased by $35.1 million, or 30.4%, to $150.5 million in 2009 from $115.4 million in 2008. The growth in revenue from transactional clients during this period was driven by the increase in the number of our transactional clients due to the addition of transactional sales representatives and sales agents, including those acquired in connection with the acquisition of RayTrans Distribution Services. Our percentage of revenue from transactional clients increased to 58% of our revenue in 2009 from 57% of our revenue in 2008. We served over 15,000 transactional in 2009, an increase of approximately 3,000 compared to the 12,000 transactional clients served in 2008.

Transportation costs

Our transportation costs increased by $44.2 million, or 27.7%, to $203.9 million in 2009 from $159.7 million in 2008. The growth in the total number of shipments executed on behalf of our clients accounted for most of the increase in our transportation costs during this period. Our transportation costs as a percentage of revenue decreased to 78.6% in 2009 from 78.8% in 2008.

Net revenue

Net revenue increased by $12.6 million, or 29.2%, to $55.7 million in 2009 from $43.1 million in 2008. 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. The remaining increase in net revenue was the result of the $2.8 million generated from the RayTrans Distribution Services acquisition. Net revenue margins increased to 21.4% in 2009 from 21.2% in 2008. The increase in net revenue margins was the result of our ability to negotiate more favorable terms on our shipments and an increase in our transactional sales, which typically have higher net revenue margins.

Operating expenses

Commission expense increased by $4.0 million, or 33.9%, to $15.8 million in 2009 from $11.8 million in 2008. This increase is attributable to the increase in net revenue.

General and administrative expenses increased by $5.9 million, or 25.5%, to $29.0 million in 2009 from $23.1 million in 2008. The increase is primarily the result of hiring personnel to support our growth. As a percentage of net revenue, general and

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administrative expenses decreased to 52.1% in 2009 from 53.6% in 2008. The decrease, as a percentage of net revenue, reflects our ability to add clients and sales personnel in order to increase our net revenue without the same corresponding increase in our general and administrative expenses.

Depreciation and amortization

Depreciation expense increased by $1.4 million, or 55.9%, to $3.9 million in 2009 from $2.5 million in 2008. The increase in depreciation expense is primarily attributable to purchases of computer hardware and software, equipment, furniture and fixtures, and the capitalization of internally developed software. Amortization expense increased by $0.4 million, or 49.4%, to $1.1 million in 2009 from $0.7 million in 2008. The increase in amortization expense the result of the intangibles acquired in the RayTrans and FMI acquisitions completed in 2009.

Income from operations

Income from operations increased by $1.0 million to $5.9 million in 2009 from $4.9 million in 2008. The increase in income from operations is attributable to the increase in net revenue in excess of the increase in operating expenses, due to improved leverage gained through the growth of our business.

Other expense and income tax

Other expense increased to $1.3 million in 2009 from $0.1 million in 2008. The increase is due to interest expense of approximately $0.8 million related to additional borrowings on our line of credit during and the subordinated debt agreement entered into in 2009. In addition, there was a $200,000 increase in other expense related to miscellaneous tax expenses.

Provision for income taxes decreased by $2.5 million to a benefit of $0.6 million in 2009 from income tax expense of $1.9 million in 2008. The decrease was the result of the reversal of the $2.0 million valuation allowance recorded initially in June 2006. Periodically, we review the continuing need for the valuation allowance based on the factors existing at the time of review. We evaluated this valuation allowance as of December 31, 2009 and determined that the full valuation allowance is no longer needed. In addition, the decrease was the result of the impact of elections regarding research and development tax credits.

Net Income

Net income increased by $2.2 million to $5.2 million in 2009 from $2.9 million in 2008 related to the items previously discussed.

Quarterly Results of Operations

The following table represents our unaudited statement of operations data for our most recent eight fiscal quarters. You should read the following table in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The results of operations of any quarter are not necessarily indicative of the results that may be expected for any future period. The per share dollar amounts below give effect to the one-for-two reverse stock split retroactively for all periods presented.

	Mar. 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010
	(in thousands, except per share data)							
Revenue	$49,064	$60,290	$70,168	$80,039	$89,104	$109,905	$113,533	$113,832
Net revenue	11,014	13,240	15,443	15,971	17,045	20,049	21,466	22,605
Operating Income	122	1,328	2,333	2,076	2,026	3,126	4,254	4,055
Net income	28	691	1,299	3,178	1,236	1,926	2,595	2,648
Net income (loss) applicable to common stockholders	(237)	429	1,034	3,164	1,236	1,926	2,595	2,648
Net income (loss) per share of common stock:								
Basic	$(0.02)	$0.03	$0.08	$0.15	$0.06	$0.09	$0.12	$0.12
Diluted	$(0.02)	$0.03	$0.08	$0.15	$0.06	$0.09	$0.12	$0.12

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate.
Inflation

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and changing prices did not have a material impact on our operations in 2008, 2009 and 2010.

Liquidity and Capital Resources

We have historically funded our operation through a combination of issuances of common and preferred stock, a working capital line, term loans and cash generated from our operations. As of December 31, 2010, we had $43.2 million in cash and cash equivalents, $63.6 million in working capital and $10.0 million available under our credit facility.

Cash provided by (used in) operating activities

For the year ended December 31, 2010, $8.6 million of cash was provided by operating activities, representing an increase of $14.2 million compared to the year ended December 31, 2009. In 2010, we generated $8.6 million in cash from operating activities as compared to cash utilized in operating activities of $5.6 million in 2009. In 2010, we generated $14.3 in cash from net income, adjusted for non-cash operating items. This cash flow generation was offset by $5.7 in changes to net working capital due to the growth of our business.

Cash used in investing activities

Cash used in investing activities was $14.8 million and $11.5 million during the years ended December 31, 2010 and 2009, respectively. The primary investing activities during these periods were acquisition related payments, the procurement of computer hardware and software and the internal development of computer software. During the year ended December 31, 2010, we used approximately $6.6 million for acquisitions and paid approximately $2.0 million in earn-out payments for acquisitions. During the year ended December 31, 2009, we used $6.8 million for new acquisitions, and paid a $0.4 million earn-out payment.

Cash provided by financing activities

During the year ended December 31, 2010, net cash provided by financing activities was $1.6 million compared to $63.0 million during the year ended December 31, 2009. This was primarily attributable to the $74.2 million in cash generated from the initial public offering completed in October 2009, offset by public offering costs paid of $2.7 million and dividends paid to preferred shareholders of $3.5 million. In addition, we paid $5.0 million related to our outstanding line of credit in 2009. Cash provided by financing activities in 2010 related primarily to the exercise of employee stock options.

Credit facility

As of December 31 2010, we had no amounts outstanding on a $10.0 million line of credit with JPMorgan Chase Bank, N.A., which is due to expire on July 31, 2011. Any outstanding borrowings are collateralized by substantially all of our assets. The maximum amount outstanding under our line of credit cannot exceed 80% of the book value of our eligible accounts receivable. The line of credit is secured by a lien on our business assets . Our line of credit contains limitations on our ability to incur indebtedness, create liens and make certain investments. Interest on the line of credit is payable monthly at an interest rate equal to either: (1) the prime rate or (2) LIBOR plus 2.25%. We have discretion in determining if specific advances against the line of credit are drawn down as a prime rate advance or a LIBOR advance. The terms of the credit line include various covenants, including covenants that require us to maintain a maximum leverage ratio and a minimum interest coverage ratio. As of December 31, 2010, we were not in violation of any of these various covenants.

Term loan

In June 2009, we entered into a $7.5 million term loan payable to EGL Mezzanine LLC, members of which include certain of our directors, officers and stockholders. The term loan, which was amended and restated on August 26, 2009, requires 36 monthly principal and interest payments of $0.25 million, matures on September 2, 2012 and bears interest at a rate of 13.0% per year. The proceeds from borrowings under the term loan were used for working capital purposes and to fund the acquisition of substantially all of the assets of RayTrans Distribution Services. The term loan was paid in full in October 2009. Early termination of the loan required an early termination fee of approximately $300,000.

Anticipated uses of cash

Our priority is to continue to grow our revenue and net revenue. We anticipate that our operating expenses and planned expenditures will constitute a material use of cash, and we expect to use available cash to expand our sales force, to enhance our technology, to acquire or make strategic investments in complementary businesses and for working capital and other general corporate purposes. We also expect to use available cash to make approximately $2.7 million of potential earn-out payments in 2011 due in connection with our acquisitions. We currently expect to use up to $8.4 million for capital expenditures in 2011. In addition, we anticipate using up to $10.0 million through the end of 2011 to fund working capital

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requirements. We expect the use of cash for working capital purposes will be offset by the cash flow generated from operating earnings during this period.

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

Although we can provide no assurances, we believe that our available cash and cash equivalents and amounts available under our revolving credit facility should be sufficient to meet our working capital and operating expenditure requirements for the foreseeable future. Thereafter, we may find it necessary to obtain additional equity or debt financing. In the event additional financing is required, we may not be able to raise it on acceptable terms or at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

As of December 31, 2010, we had the following contractual obligations (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital lease	$444	$293	$151	$—	$—
Operating lease	10,136	2,524	6,229	1,383	—
Contingent consideration obligations(1)	9,794	2,721	7,073	—	—
Total	$20,374	$5,538	$13,453	$1,383	$—

(1) Amounts relate to contingent consideration for the Mountain Logistics, Inc., Bestway Solutions, LLC, RayTrans Distribution Services, Inc., Freight Management, Inc., and DNA Freight Inc. acquisitions.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASC Topic 605 Revenue Recognition. The guidance addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We are currently evaluating the impact that the adoption of this guidance may have on the Company's consolidated financial statements.

In January 2009, the Securities and Exchange Commission ("SEC") issued Release No. 33-9002, Interactive Data to Improve Financial Reporting. The rule requires all companies to provide their financial statements and financial statement schedules to the SEC and on their corporate websites in interactive data format using the eXtensible Business Reporting Language ("XBRL"), which is an electronic language specifically for the communication of business and
financial data. The intention of XBRL is to improve its usefulness to users and to automate regulatory filings and business information processing. Interactive data has the potential to improve efficiencies and the analyses of financial disclosures by investors and other users. We are required to adopt this rule for the reporting period ended after June 15, 2011. The adoption of this rule will not have a material impact on our financial statements or other reporting.

In January 2010, the FASB issued ASC 820 Fair Value Measurements and Disclosures (ASU 2010-06) . This guidance improves disclosures originally required under SFAS No. 157. ASU 2010-16 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29 to amend ASC 805, Business Combinations. The ASU amends certain existing and adds additional pro forma disclosure requirements for public enterprises (as defined by Topic 805). The guidance in ASU 2010-29 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 and must be applied on a prospective basis. We are currently evaluating the impact that adoption of this guidance may have on our consolidated financial statements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Risk

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

Interest Rate Risk

We have exposure to changes in interest rates on our line of credit. The interest rate on our line of credit fluctuates based on the prime rate or LIBOR plus 2.25%. Assuming the $10.0 million line of credit was fully drawn, a 1.0% increase in the prime rate would increase our annual interest expense by $100,000.

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

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

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Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE

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Management's Assessment of
Internal Control Over Financial Reporting

The consolidated financial statements were prepared by management, which is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting.
The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

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

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.
Management assessed the design and effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework.
Based on management's assessment using those criteria, as of December 31, 2010, management believes that the Company's internal controls over financial reporting are effective.
Ernst & Young, LLP, independent registered public accounting firm, has audited the financial statements of the Company for the fiscal years ended December 31, 2010, 2009 and 2008 and the Company's internal control over financial reporting as of December 31, 2010. Their reports are presented on the following pages.

Echo Global Logistics, Inc.
March 11, 2011

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Echo Global Logistics, Inc. and Subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Echo Global Logistics, Inc. and Subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Echo Global Logistics, Inc and Subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, IL
March 11, 2011

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Report of Independent Registered Public Accounting Firm On
Internal Control Over Financial Reporting

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

We have audited Echo Global Logistics, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Echo Global Logistics, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying report on Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Echo Global Logistics, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Echo Global Logistics, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2010 of Echo Global Logistics, Inc. and Subsidiaries, and our report dated March 11, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chicago, IL
March 11, 2011

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Echo Global Logistics, Inc.
Consolidated Balance Sheets

	December 31, 2009	2010
Assets		
Current assets:		
Cash and cash equivalents	$47,803,704	$43,218,164
Accounts receivable, net of allowance for doubtful accounts of $1,323,916 and $2,786,776, respectively	43,689,684	60,862,012
Taxes receivable	344,117	—
Prepaid expenses	6,420,750	7,518,334
Other current assets	391,054	396,613
Total current assets	98,649,309	111,995,123
Property and equipment, net	8,153,741	9,638,800
Intangibles and other assets:		
Goodwill	18,651,496	32,597,577
Intangible assets, net of accumulated amortization of $2,243,765 and $4,098,246, respectively	4,527,043	6,974,818
Other assets	459,735	341,863
Deferred income taxes	2,233,964	—
Total assets	$132,675,288	$161,548,181
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable—trade	$27,039,510	$40,097,083
Current maturities of capital lease obligations	302,518	274,282
Accrued expenses	3,058,102	3,398,620
Due to seller—short term	717,738	2,720,517
Income tax payable	—	125,111
Deferred income taxes	1,894,204	1,788,286
Total current liabilities	33,012,072	48,403,899
Due to seller—long term	5,452,303	7,073,102
Deferred income taxes	—	946,608
Capital lease obligations, net of current maturities	420,840	146,559
Total liabilities	38,885,215	56,570,168
Stockholders' equity		
Common stock, par value $0.0001 per share, 100,000,000 shares authorized, 21,768,659 shares issued and outstanding at December 31, 2009; 100,000,000 shares authorized, 22,043,850 shares issued and outstanding at December 31, 2010	2,177	2,205
Additional paid-in capital	88,368,796	91,152,070
Retained earnings	5,419,100	13,823,738
Total stockholders' equity	93,790,073	104,978,013
Total liabilities and stockholders' equity	$132,675,288	$161,548,181

See accompanying notes.

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Echo Global Logistics, Inc.
Consolidated Statements of Income

	Years Ended December 31,		
	2008	2009	2010
REVENUE	$202,807,631	$259,560,658	$426,373,975
COSTS AND EXPENSES:			
Transportation costs	159,717,355	203,892,962	345,208,575
Selling, general, and administrative expenses	34,914,278	44,816,750	60,778,106
Depreciation and amortization	3,230,803	4,990,919	6,926,118
INCOME FROM OPERATIONS	4,945,195	5,860,027	13,461,176
Interest income	20,259	23,971	93,098
Interest expense	(111,738)	(792,303)	(51,413)
Other, net	(52,392)	(506,255)	(333,060)
OTHER INCOME (EXPENSE)	(143,871)	(1,274,587)	(291,375)
INCOME BEFORE PROVISION FOR INCOME TAXES	4,801,324	4,585,440	13,169,801
INCOME TAX BENEFIT (EXPENSE)	(1,925,768)	610,544	(4,765,163)
NET INCOME	2,875,556	5,195,984	8,404,638
DIVIDENDS ON PREFERRED SHARES	(1,054,380)	(806,625)	—
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	$1,821,176	$4,389,359	$8,404,638
Basic net income per share	$0.15	$0.30	$0.38
Diluted net income per share	$0.14	$0.29	$0.38

See accompanying notes.

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Echo Global Logistics, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
Years ended December 31, 2008, 2009 and 2010

	Common A		Series B Preferred		Common Stock		Stockholder's Receivable	Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2008	11,922,519	$2,385	62,500	$19,896	—	$—	$(2,405)	$(3,357,677)	$(791,435)	$(4,1
Repayment of receivable	—	—	—	—	—	—	2,405	—	—	2,40
Proceeds from issuance of shares	37,500	8	—	—	—	—	—	219,992	—	220,(
Vesting of restricted shares	290,833	58	—	—	—	—	—	183,358	—	183,4
Exercise of stock options	72,500	15	—	—	—	—	—	352,635	—	352,6
Tax benefit from exercise of stock options	—	—	—	—	—	—	—	—	—	—
Preferred Series B dividends	—	—	—	7,520	—	—	—	—	(7,520)	—
Preferred Series D dividends	—	—	—	—	—	—	—	—	(1,046,860)	(1,04
Share compensation expense	—	—	—	—	—	—	—	626,994	—	626,9
Net income	—	—	—	—	—	—	—	—	2,875,556	2,875
Balance at December 31, 2008	12,323,352	2,466	62,500	27,416	—	—	—	(1,974,698)	1,029,741	(915,
Preferred Series B dividends	—	—	—	(27,404)	—	—	—	—	(5,751)	(33,1
Preferred Series D dividends	—	—	—	—	—	—	—	—	(800,874)	(800,
Share compensation expense	—	—	—	—	—	—	—	521,764	—	521,7
Exercise of stock options	81,250	16	—	—	—	—	—	151,985	—	152,0
Vesting of restricted	157,500	32	—	—	275,000	28	—	3,928,690	—	3,928

shares										
Conversion of Preferred Series D					3,169,057	317	—	17,052,851	—	17,05
Conversion to Common Stock	(12,562,102)	(2,514)	(62,500)	(12)	12,624,602	1,262	—	1,264	—	—
Tax benefit from exercise of stock options	—	—	—	—	—	—	—	112,636	—	112,6
Initial public offering proceeds	—	—	—	—	5,700,000	570	—	68,574,304	—	68,57
Net income	—	—	—	—	—		—	—	5,195,984	5,195
Balance at December 31, 2009	—	$—	—	$—	$21,768,659	$2,177	—	$88,368,796	$5,419,100	$93,
Share compensation expense	—	—	—	—	—	—	—	592,372	—	592,3
Payment of costs related to initial public offering								(49,000)		(49,0
Exercise of stock options	—	—	—	—	—	28	—	1,449,209	—	1,449
Tax benefit from exercise of stock options	—	—	—	—	275,191	—	—	790,693	—	790,6
Net income	—	—	—	—	—	—	—	—	8,404,638	8,404
Balance at Decmber 31, 2010	—	$—	—	$—	22,043,850	$2,205	$—	$91,152,070	$13,823,738	$104

See accompanying notes.

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Echo Global Logistics, Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2008	2009	2010
Operating activities			
Net income	$2,875,556	$5,195,984	$8,404,638
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Deferred income taxes	1,925,768	(792,683)	3,074,654
Noncash stock compensation expense	626,994	521,764	592,372
Reduction in contingent consideration due to seller	—	(982,620)	(4,700,192)
Depreciation and amortization	3,230,803	4,990,919	6,926,118
Change in assets, net of acquisitions:			
Accounts receivable	(9,740,390)	(16,540,665)	(15,353,802)
Taxes receivable	(780,474)	436,357	469,228
Prepaid expenses and other assets	(6,099,037)	(3,274,551)	(1,131,542)
Change in liabilities, net of acquisitions:			
Accounts payable	6,426,213	6,351,831	10,425,014
Accrued expenses and other	3,251,023	(1,508,476)	(64,149)
Net cash provided by (used in) operating activities	1,716,456	(5,602,140)	8,642,339
Investing activities			
Purchases of property and equipment	(4,710,764)	(4,273,593)	(6,214,413)
Payments for acquisitions, net of cash acquired	(389,794)	(7,226,281)	(8,623,613)
Net cash used in investing activities	(5,100,558)	(11,499,874)	(14,838,026)
Financing activities			
Repayment of member receivable	2,405	—	—
Principal payments on capital lease obligations	(151,419)	(246,724)	(302,518)
Borrowings (payments) on credit line	5,000,000	(5,000,000)	—
Tax benefit of stock options exercised	—	112,636	790,693
Borrowings on subordinated debt from related party	—	7,500,000	—
Payments on subordinated debt from related party	—	(7,500,000)	—
Payment of costs associated with initial public offering	(1,721,847)	(2,676,430)	(327,265)
Repayments to related parties	(13,324)	—	—
Issuance of shares, net of issuance costs	572,650	152,001	1,449,237
Payment of dividends on preferred shares	—	(3,522,687)	—
Initial public offering proceeds	—	74,214,000	—
Net cash provided by financing activities	3,688,465	63,032,796	1,610,147
Increase (decrease) in cash and cash equivalents	304,363	45,930,782	(4,585,540)
Cash and cash equivalents, beginning of period	1,568,559	1,872,922	47,803,704
Cash and cash equivalents, end of period	$1,872,922	$47,803,704	$43,218,164
Supplemental disclosure of cash flow information			
Cash paid during the year for interest	$61,893	$741,844	$51,600
Cash paid for income taxes	774,525	125,000	581,014
Noncash investing activity			
Issuance of common stock in connection with Mountain Logistics acquisition	—	3,850,000	—
Purchase of furniture and equipment with capital lease	467,155	353,385	—
Noncash financing activity			

Vesting of restricted shares	183,416	78,750	—
Due to seller	—	7,252,661	8,633,770

See accompanying notes.

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Echo Global Logistics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 2008, 2009 and 2010

1. Description of Business

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

The Company was formed on January 3, 2005, and commenced operations in March 2005. The Company was originally established as a limited liability company (LLC). Effective June 7, 2006, the Company converted its legal form to a C corporation organized and existing under the General Corporation Law of the State of Delaware.

On June 7, 2006, the Company completed its conversion to a corporate structure whereby Echo Global Logistics LLC converted to Echo Global Logistics, Inc. As a result, each Series A common unit of the LLC converted to a fully paid share of Series A Common Stock, with a par value of $0.0002 per share. In addition, each Series B and C preferred unit of the LLC converted to fully paid shares of Series B Preferred Stock and Series A Common Stock, respectively, both with a par value of $0.0002 per share. In connection with the conversion, the undistributed losses as of the conversion date were classified to additional paid-in capital.

In October 2009, we completed an initial public offering of our shares of common stock. Upon the completion of our initial public offering, our common stock became listed on the Nasdaq Global Market under the symbol “ECHO.”

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Preparation of Financial Statements and Use of Estimates

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

Fair Value of Financial Instruments

As of December 31, 2009 and 2010, the carrying value of the Company's financial investments, which consist of cash and cash equivalents, accounts receivable, accounts payable, capital lease obligations, and a line of credit, approximate their fair values due to their short term nature. The fair value of due to seller is determined based on the likelihood of contingent earn-out payments.

Reverse Stock Split

As of September 24, 2009, the Company's Board of Directors approved a resolution to effect a one-for-two reverse stock split of the Company's capital stock with a corresponding change to the par value of the capital stock. The reverse stock split became effective on September 25, 2009. Any fractional shares resulting from the reverse stock split were rounded down to the nearest whole share and stockholders were entitled to cash in lieu of any fractional shares. All share numbers and per share amounts for all periods presented have been adjusted retroactively to reflect the one-for-two reverse stock split.

Revenue Recognition

In accordance with ASC Topic 605-20 Revenue Recognition - Services, transportation revenue and related transportation costs are recognized when the shipment has been delivered by a third-party carrier. Fee for service revenue is recognized when

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the services have been rendered. At the time of delivery or rendering of services, as applicable, the Company's obligation to fulfill a transaction is complete and collection of revenue is reasonably assured.

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

Rebates

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

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

Segment Reporting

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

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

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

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

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

Property and Equipment

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

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

Capital leases are amortized over the shorter of the useful life or related lease term.

Internal Use Software

The Company has adopted the provisions of ASC Topic 350 Intangibles - Goodwill and Other. Accordingly, certain costs

incurred in the planning and evaluation stage of internal use computer software are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized internal use software costs are amortized over the expected economic life of three years using the straight-line method. The total amortization expense for the years ended December 31, 2008, 2009 and 2010 was $1,765,729, $2,671,009 and $3,580,153 respectively. At December 31, 2009 and 2010, the net book value of internal use software costs was $4,543,744 and $6,044,079, respectively.

Goodwill and Other Intangibles

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with ASC Topic 350 Intangibles - Goodwill and Other, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. The Company evaluates the recoverability of goodwill using a two-step impairment test. For goodwill impairment test purposes, the Company has one reporting unit. In the first step, the fair value for the Company is compared to its carrying value including goodwill. In the case that the fair value is less than the carrying value, a second step is performed that compares the implied fair value of goodwill to the carrying value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the reporting unit and the net fair values of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge. Absent any special circumstances that could require an interim test, the Company has elected to test for goodwill impairment during the fourth quarter of each year. This guidance 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 (previously SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets). The Company's intangible assets consist of customer relationships, noncompete agreements, and trade names, which are being amortized on the straight-line basis over their estimated weighted-average useful lives of 6 years, 3 years and 3 years, respectively.

Income Taxes

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

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation of ASC Topic 740 Income Taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with the guidance. This guidance also prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement that a tax position is required to meet before being recognized in the financial statements. The guidance also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the guidance as of January 1, 2007.

Stock-Based Compensation

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

Contract Costs

Cost of contracts represents the incremental direct costs incurred related to the acquisition or origination of certain customer contracts. Costs capitalized are amortized over the life of the contracts.

Initial Public Offering Costs

Costs associated with the initial public offering were reclassed to additional paid-in-capital upon completion of the initial public offering in October of 2009. At the end of 2009, approximately $270,000 in costs that had been reclassed to additional paid-in-capital still had not been paid. These costs were paid in the first quarter of 2010 in addition to approximately $50,000 in costs that had not been accrued for as of December 31, 2009 but related to the initial public offering.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. New Accounting Pronouncements

In October 2009, the FASB issued ASC Topic 605 Revenue Recognition. The guidance addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance may have on the Company's consolidated financial statements.

In January 2009, the Securities and Exchange Commission ("SEC") issued Release No. 33-9002, Interactive Data to Improve Financial Reporting. The rule requires all companies to provide their financial statements and financial statement schedules to the SEC and on their corporate websites in interactive data format using the eXtensible Business Reporting Language ("XBRL"), which is an electronic language specifically for the communication of business and
financial data. The intention of XBRL is to improve its usefulness to users and to automate regulatory filings and business information processing. Interactive data has the potential to improve efficiencies and the analyses of financial disclosures by investors and other users. The Company is required to adopt this rule for the reporting period ended after June 15, 2011. The adoption of this rule will not have a material impact the Company's financial statements or other reporting.

In January 2010, the FASB issued ASC 820 Fair Value Measurements and Disclosures. This guidance improves disclosures originally required under SFAS No. 157. ASU 2010-16 is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29 to amend ASC 805, Business Combinations. The ASU amends certain existing and adds additional pro forma disclosure requirements for public enterprises (as defined by Topic 805). The guidance in ASU 2010-29 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 and must be applied on a prospective basis. The Company is currently evaluating the impact that adoption of this guidance may have on the Company's consolidated financial statements.

4. Acquisitions

Mountain Logistics Acquisition

For the years ended December 31, 2009 and December 31, 2010, the Company paid $350,000 and $1,850,000, respectively, in contingent consideration related to this 2007 acquisition. The contingent consideration paid was recorded as additional goodwill in accordance with accounting guidance prior to the Company's adoption of ASC 805 Business Combinations on January 1, 2009. In addition, the Company recorded a $3.9 million increase in goodwill in 2009 related to the vesting of 275,000 common shares associated with the acquisition, as certain performance measures were met resulting in the vesting of the shares effective October 1, 2009.

Bestway Acquisition

For the years ended December 31, 2009 and December 31, 2010, the Company paid $101,100 in each period in contingent consideration related to this 2007 acquisition. The payment was recorded as additional goodwill , in accordance with accounting guidance prior to the Company's adoption of ASC 805 Business Combinations on January 1, 2009.

RayTrans Distribution Services, Inc. Acquisition

Effective June 1, 2009, the Company acquired RayTrans Distribution Services, Inc. (RDS), a non-asset based third-party logistics provider with offices in Matteson, Illinois and the results of RDS have been included in the consolidated financial statements since that date. The acquisition provided the Company with strategic growth of its presence in the truckload business and added an assembled workforce that has significant experience and knowledge of the industry.

The acquisition-date fair value of the consideration transferred totaled $9,226,511, which consisted of the following:

Fair value of consideration transferred	
Cash	$5,384,069
Contingent consideration	3,842,442
Total	$9,226,511

The contingent consideration arrangement requires the Company to pay an additional $6.5 million in cash if certain performance measures are achieved by or prior to May 31, 2012. The performance measures are based on both annual and cumulative targets of adjusted EBITDA. EBITDA relates to earnings before interest, taxes, depreciation and amortization. The fair value of the contingent consideration arrangement at the acquisition date was $3,842,442. Pursuant to the adoption of ASC Topic 805 effective January 1, 2009, any changes to the contingent consideration obligation are recorded in selling, general and administrative expense. For the years ended December 31, 2009 and 2010, the Company recorded a reduction of $795,297 and $3,047,145, respectively, to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to RDS' forecasted financial performance resulting in a liability due to seller of $3.1 million at December 31, 2009 and no liability at December 31, 2010. The reduction in contingent consideration is included in general administrative expenses in the consolidated income statement. The Company does not expect to make any of the total eligible contingent consideration payments due prior to May 31, 2012. The Company does not expect any total undiscounted contingent consideration payments to RDS. There were no other contingent liabilities assumed in the acquisition.

The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of acquisition.

Accounts receivable	$3,314,551	
Other assets	244,595	
Goodwill	7,488,042	
Customer relationships	2,820,000	
Non-compete agreements	70,000	
Internally developed software	170,000	
Accounts payable	(4,007,612	)
Other current liabilities	(873,065	)
Net assets acquired	$9,226,511	

The Company recorded a change in the estimated fair values of the assets acquired and liabilities assumed to goodwill related to the finalization of the intangible valuation and adjustments to working capital. In 2009, goodwill of $7.5 million represents the premium the Company paid over the fair value of the net tangible and intangible assets it acquired. The Company paid this premium for a number of reasons, including expanding its presence in the flatbed, over-sized, auto-haul and other specific services as well as traditional dry van brokerage; adding more than 400 transactional clients, which expands its pipeline of clients to which the Company can market its transportation and supply chain management services. In addition, the Company gained approximately 1,500 new carriers that provide specialized transportation services to its existing clients. The amount of goodwill deductible for U.S. income tax purposes is $3.0 million, excluding future contingent consideration payments.

The customer relationships have a life of seven years and the non-compete agreements have a life of five years.

The amounts of revenue and net income of RDS included in the Company's consolidated income statement from the acquisition date to the twelve months ended December 31, 2009 was $14,400,066 . The following unaudited pro forma information presents a summary of the Company's consolidated statements of operations for the year ended December 31, 2009 as if the Company had acquired RDS as of January 1.

	2009
Revenue	$271,645,130
Income from operations	6,448,280
Net income	5,248,883
Net income applicable to common shareholders	4,442,258
Basic earnings per share	$0.30
Diluted earnings per share	$0.29

Freight Management Inc.

Effective July 1, 2009, the Company acquired Freight Management Inc. (FMI), a non-asset based third-party logistics provider with offices in Buffalo, Minnesota, and the results of FMI have been included in the consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of FMI for $1,391,250. An additional $2,080,000 in cash consideration may become payable upon achievement of certain performance measures by or prior to July 31, 2012. As a result of the acquisition, the Company recorded $4,570,659 of goodwill, of which $3,310,219 related to the initial contingent consideration. The Company recorded a reduction of $187,323 to the contingent consideration liability for the year ended December 31, 2009. For the year ended December 31, 2010, the Company recorded an additional reduction of $1,375,574 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to the forecasted financial performance of FMI resulting in a liability due to seller of $1,437,323 at December 31, 2010.

Effective May 1, 2010, the terms of the original purchase agreement were amended to reduce the future cash consideration due and certain performance measures, which resulted in a reduction in the contingent consideration. For the year ended December 31, 2010, the Company agreed to pay FMI $310,000 based on the achievement of certain performance measures. The $310,000 award was offset by a $200,000 reduction of receivables acquired at the time of purchase, resulting in a net cash payment of $110,000. The total award was recorded as a reduction of the contingent consideration liability. The remaining reduction in contingent consideration is included in general and administrative expenses in the consolidated income statement. The Company expects total undiscounted contingent consideration payments to FMI to be between $1,600,000 and $2,000,000. Pro forma results of the acquisition have been not been included as the acquisition does not have a material impact on the Company's financial statements. The amount of goodwill deductible for U.S. income tax purposes is approximately $1,800,000, excluding future contingent consideration payments.

Distribution Services Inc.

Effective January 1, 2010, the Company acquired Distribution Services Inc. (DSI), a non-asset based third-party logistics provider with offices in Coon Rapids, Minnesota, and the results of DSI have been included in the consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of DSI for $728,056. An additional $2,080,000 in cash consideration may become payable upon achievement of certain performance measures by or prior to December 31, 2014. As a result of the acquisition, the Company recorded $1,947,161 of goodwill, of which $1,817,264 related to contingent consideration. For the year ended December 31, 2010, the Company recorded a reduction of $295,602 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to the forecasted financial performance of DSI resulting in a liability due to seller of $1,521,662 at December 31, 2010. The change in contingent consideration is included in general and administrative expenses in the consolidated income statement. The Company expects total undiscounted contingent consideration payments to DSI to be $2,080,000. Pro forma results of the acquisition have been not been included as the acquisition does not have a material impact on the Company's financial statements. The amount of goodwill deductible for U.S. income tax purposes is approximately $740,000, excluding future contingent consideration payments.

Resource Group and Associates

Effective January 1, 2010, the Company acquired Resource Group and Associates (RGA), a non-asset based third-party logistics provider with offices in Andover, Minnesota, and the results of RGA have been included in the unaudited consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of RGA for $1,027,696. An additional $800,000 in cash consideration may become payable upon achievement of certain performance measures by or prior to December 31, 2012. As a result of the acquisition, the Company recorded $1,383,867 of goodwill, of which $785,248 related to contingent consideration. For the year ended December 31, 2010, the Company recorded a reduction of $87,799 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to the forecasted financial performance of RGA resulting in a liability due to seller of $697,449 at December 31, 2010. The decrease in contingent consideration is included in general and administrative expenses in the consolidated income statement. The Company expects total undiscounted contingent consideration payments to RGA to be approximately $800,000. Pro forma results of the acquisition have been not been included as the acquisition does not have a material impact on the Company's financial statements. The amount of goodwill deductible for U.S. income tax purposes is approximately $550,000, excluding future contingent consideration payments.

Lubenow Logistics, LLC

Effective May 1, 2010, the Company acquired Lubenow Logistics, LLC (Lubenow), a non-asset based third-party logistics provider with offices in Green Bay, Wisconsin, and the results of Lubenow have been included in the unaudited consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of Lubenow for $522,500. An additional $1,400,000 in cash consideration may become payable upon achievement of certain performance measures by or prior to April 30, 2015. As a result of the acquisition, the Company recorded $1,077,859 of goodwill, of which $994,780 related to contingent consideration. For the year ended December 31, 2010, the Company recorded a reduction of $12,456 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to the forecasted financial performance of Lubenow resulting in a liability due to seller of $982,324 at December 31, 2010. The decrease in contingent consideration is included in general and administrative expenses in the consolidated income statement. The Company expects total undiscounted contingent consideration payments to Lubenow to be approximately $1,400,000. Pro forma results of the acquisition have been not been included as the acquisition does not have a material impact on the Company's financial statements. The amount of goodwill deductible for U.S. income tax purposes is approximately $400,000, excluding future contingent consideration payments.

Freight Lanes International Inc.

Effective September 1, 2010, the Company acquired Freight Lanes International Inc. (FLI), a non-asset based third-party logistics provider with offices in Bend, Oregon, and the results of FLI have been included in the unaudited consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of FLI for $658,300. An additional $1,220,000 in cash consideration may become payable upon achievement of certain performance measures by or prior to August 31, 2014. As a result of the acquisition, the Company recorded $1,002,036 of goodwill, of which $914,406 related to contingent consideration. For the year ended December 31, 2010, the Company recorded an increase of $30,796 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to the forecasted financial performance of FLI resulting in a liability due to seller of $945,202 at December 31, 2010. The increase in contingent consideration is included in general and administrative expenses in the consolidated income statement. The Company expects total undiscounted contingent consideration payments to FLI to be between $750,000 and $1,220,000. As of December 31, 2010, the purchase price allocation has not been finalized due to the timing of the acquisition and terms of the purchase agreement. Pro forma results of the acquisition have been not been included as the acquisition does not have a material impact on the Company's financial statements. The amount of goodwill deductible for U.S. income tax purposes is approximately $335,000, excluding future contingent consideration payments.

DNA Freight Inc.

Effective December 1, 2010, the Company acquired DNA Freight Inc. (DNA), a non-asset based third-party logistics provider with offices in San Francisco, California, and the results of DNA have been included in the unaudited consolidated financial statements since that date. The Company agreed to purchase the assets and assume certain liabilities of DNA for $4,583,076. An additional $5,920,000 in cash consideration may become payable upon achievement of certain performance measures by or prior to November 30, 2014. As a result of the acquisition, the Company recorded $6,584,058 of goodwill, of which $4,122,071 related to contingent consideration. For the year ended December 31, 2010, the Company recorded an increase of $87,588 to the contingent consideration obligation to reflect the change in fair value, which was primarily the result of adjustments to the forecasted financial performance of DNA resulting in a liability due to seller of $4,209,659 at December 31, 2010. The increase in contingent consideration is included in general and administrative expenses in the consolidated income statement. The Company expects total undiscounted contingent consideration payments to FLI to be between $5,700,000 and $5,920,000. As of December 31, 2010, the purchase price allocation has not been finalized due to the timing of the acquisition and terms of the purchase agreement. Pro forma results of the acquisition have been not been included as the acquisition does not have a material impact on the Company's financial statements. The amount of goodwill deductible for U.S. income tax purposes is approximately $2,535,000, excluding future contingent consideration payments.

5. Fair Value Measurement

The Company applies ASC Topic 820 Fair Value Measurements and Disclosures for its financial assets and financial liabilities. The guidance requires enhanced disclosures about assets and liabilities measured at fair value. The Company's financial assets primarily relate to money market funds and financial liabilities primarily relate to contingent earn-out payments of $9.8 million.

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

- Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.
- Level 3: Inputs that are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The significant inputs used to derive the fair value due to seller include financial forecasts of future operating results, the probability of reaching the forecast and the associated discount rate. The probability of the contingent consideration ranges from 5% to 55% with a discount rate of 12%. The following table sets forth the Company's financial liabilities measured at fair value on a recurring basis and the basis of measurement at December 31, 2010:

	Total Fair Value Measurement	Level 1	Level 2	Level 3
Assets:				
Money market funds	$34,674,436	$34,674,436	$—	$—
Liabilities:				
Due to seller	$(9,793,619)	$—	$—	$(9,793,619)

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

	Due to Seller
Balance at January 1, 2009	$—
Increase related to new acquisitions	(7,152,661)
Change in fair value	982,620
Balance at December 31, 2009	(6,170,041)
Increase related to new acquisitions	(8,633,770)

Change in fair value	4,700,192	
Payment of contingent consideration	310,000	
Balance at December 31, 2010	$(9,793,619	)

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For the years ended December 31, 2009 and 2010, the Company recorded an adjustment to the original contingent consideration obligations recorded upon the acquisitions. The adjustments were the result of using revised forecasts and updated fair value measurements that adjusted the Company's potential earnout payments related to the purchase of these businesses.

For the years ended December 31, 2009 and 2010, the Company recognized a benefit of $982,620 and $4,700,192 in selling, general, and administrative expenses in the statement of income due to the change in fair value measurements using a level three valuation technique.

6. Property and Equipment

Property and equipment at December 31, 2009 and 2010, consisted of the following:

	2009	2010
Computer equipment	$3,137,510	$4,450,322
Software, including internal use software	10,259,308	15,244,090
Furniture and fixtures	2,906,730	3,064,447
	16,303,548	22,758,859
Less accumulated depreciation	(8,149,807)	(13,120,059)
	$8,153,741	$9,638,800

Depreciation expense, including amortization of capitalized internal use software, was $2,522,514, $3,932,626 and $5,071,637for the years ended December 31, 2008, 2009 and 2010, respectively.

7. Intangibles and Other Assets

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

Balance as of January 1, 2009	2,291,694
Additional purchase price related to the purchase of Mountain Logistics, Inc.	4,200,000
Additional purchase price related to the purchase of Bestway, LLC	101,100
Goodwill acquired related to the purchase of RayTrans Distribution Services, Inc	7,488,042
Goodwill acquired related to the purchase of Freight Management, Inc.	4,570,660
Balance as of December 31, 2009	18,651,496
Additional purchase price related to the purchase of Mountain Logistics, Inc.	1,850,000
Additional purchase price related to the purchase of Bestway Solutions LLC	101,100
Goodwill related to the purchase of DSI	1,947,161
Goodwill related to the purchase of RGA	1,383,867
Goodwill related to the purchase of Lubenow	1,077,859
Goodwill related to the purchase of FLI	1,002,036
Goodwill related to the purchase of DNA	6,584,058
Balance as of December 31, 2010	$32,597,577

The following is a summary of amortizable intangible assets as of December 31, 2009 and December 31, 2010:

	2009	2010	Weighted-Average Life
Customer relationships	$6,441,808	$10,744,064	6.4 years
Noncompete agreements	139,000	139,000	2.9 years
Trade names	190,000	190,000	3.0 years
	6,770,808	11,073,064	6.3 years
Less accumulated amortization	(2,243,765)	(4,098,246)	
Intangible assets, net	$4,527,043	$6,974,818	

Amortization expense related to intangible assets was $708,289, $1,058,293 and $1,854,481 for the years ended December 31, 2008, 2009 and 2010, respectively.

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

2011	$2,361,989
2012	1,784,975
2013	1,110,138
2014	783,087
2015	589,900
Thereafter	344,729
	$6,974,818

8. Accrued Expenses

The components of accrued expenses at December 31, 2009 and 2010 are as follows:

	2009	2010
Accrued compensation	$384,526	$489,736
Accrued rebates	943,446	1,412,715
Deferred rent	784,674	760,112
Other	945,456	736,057
Total accrued expenses	$3,058,102	$3,398,620

9. Line of Credit

In August 2009 the Company entered into a $20.0 million line of credit with JPMorgan Chase Bank, N.A., which was due to expire on July 31, 2010. In April 2010, the Company entered into an amended agreement with the bank, which provides for a $10.0 million line of credit and expires on July 31, 2011. The maximum amount outstanding under its line of credit cannot exceed 80% of the book value of the Company's eligible accounts receivable. The line of credit is secured by a lien on the business assets of the Company. The Company's line of credit contains limitations on its ability to incur indebtedness, create liens and make certain investments. Interest on the line of credit is payable monthly at an interest rate equal to either: (1) the prime rate or (2) LIBOR plus 2.25%. The Company has discretion in determining if specific advances against the line of credit are drawn down as a prime rate advance or a LIBOR advance. The terms of the credit line include various covenants, including covenants that require the Company to maintain a maximum leverage ratio and a minimum interest coverage ratio. As of December 31, 2010, the Company was not in violation of these various covenants. No borrowings were outstanding as of December 31, 2009 and 2010.

10. Commitments and Contingencies

In April 2007, as amended August 2008, the Company entered into an operating lease agreement for an office facility. The lease agreement expires in November 2015, and has escalating base monthly rental payments ranging from

$29,798 to $162,410, plus an additional monthly payment for real estate taxes and common area maintenance fees related to the building.

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The Company has an option to renew this lease for an additional five-year term at a lease rate that is equal to the prevailing fair market value at that time.

Additionally, the Company entered into various capital leases for the acquisition of office furniture and equipment whereby it can purchase the underlying assets for a nominal amount at the end of the lease term. The cost of the furniture and equipment capitalized in conjunction with these capital leases was $1,234,163 as of December 31, 2009 and 2010. The related accumulated amortization of the furniture capitalized in conjunction with these capital leases was $319,163 and $548,204 as of December 31, 2009 and 2010, respectively. The related amortization expense is included in depreciation and amortization expense on the accompanying statements of operations.

During 2009 and 2010, the Company also assumed contractual operating and capital lease obligations through acquisitions, which consisted primarily of building operating leases expiring at various dates through 2017.

The Company recognizes operating lease rental expense on a straight-line basis over the term of the lease. The total rent expense for the years ended December 31, 2008, 2009, and 2010, was $1,175,691, $2,261,395 and $2,449,653, respectively.

Future minimum annual rental payments, excluding immaterial sublease income, are as follows:

	Capital Leases	Operating Leases
2011	$293,486	$2,523,802
2012	150,633	2,303,263
2013	—	2,134,143
2014	—	1,791,313
2015	—	1,382,985
Thereafter	—	—
	444,119	10,135,506
Less amounts representing interest expense	(23,280)	—
	$420,839	$10,135,506

11. Income Taxes

On June 7, 2006, the Company converted from a limited liability company to a C-corporation. As a result of this conversion, the Company now accounts for income taxes in accordance with ASC Topic 740 (previously SFAS No. 109, Accounting for Income Taxes), under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. As a result of the $9.4 million share redemption occurring in June 2006 (see Note 12), the tax basis of the Company increased resulting in the recognition of a deferred tax asset of $3.8 million, for which a valuation allowance of $2.0 million was recorded with a corresponding net increase to additional paid-in capital of $2.0 million. Periodically, the Company reviews the continuing need for the valuation allowance based on the factors existing at the time of the review. The Company evaluated this valuation allowance as of December 31, 2009 and determined that it was more likely than not that the existing deferred tax assets would be fully realized, and the valuation allowance was reduced to zero which was recorded as a tax benefit in 2009.

Effective January 1, 2007, the Company adopted the provisions of ASC Topic 740 (previously FIN 48), a summary of which is provided in Note 2. The Company did not have any unrecognized tax benefits at adoption and, therefore, there was no effect on the Company's financial condition or results of operations as a result of implementing the guidance. In addition, there were no increases or decreases for the years ended December 31, 2007 and 2008. For the years ended December 31, 2009 and 2010, the Company recognized an increase of $72,856 and $19,991 in unrecognized tax benefits, respectively. This was included in deferred tax liabilities as of December 31, 2009 and 2010. The Company's policy is to recognize interest and penalties on unrecognized tax benefits as a component of income tax expense. As of the date of adoption, the Company did not have any accrued interest or penalties associated with unrecognized tax benefits nor did the Company record any interest or penalties during 2008, 2009 and 2010.

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The following is a reconciliation of the total amounts of unrecognized tax benefits excluding interest and penalties for the 2010 annual reporting period:

	2009	2010
Balance at January 1	$—	$72,856
Gross increases — current period tax positions	72,856	19,991
Balance at December 31	$72,856	$92,847

The Company does not believe it will have any significant changes in the amount of unrecognized tax benefits in the next 12 months. The total amount of the unrecognized tax benefits, if recognized, for the years ended December 31, 2009 and December 31, 2010, respectively, would affect the effective tax rate. The evaluation was performed for the tax years ended December 31, 2007, 2008, 2009 and 2010 which remain subject to examination by major tax jurisdictions.

The provision for income taxes consists of the following components for the years ended December 31, 2008, 2009 and 2010:

	2008	2009	2010
Current:			
Federal	$—	$115,645	$1,374,945
State	—	80,915	181,103
Total current	—	196,560	1,556,048
Deferred:			
Federal	1,599,198	(539,000)	2,928,981
State	326,570	(268,104)	280,134
Total deferred	1,925,768	(807,104)	3,209,115
Income tax expense (benefit)	$1,925,768	$(610,544)	$4,765,163

The provision for income taxes for the years ended December 31, 2008, 2009 and 2010, differs from the amount computed by applying the U.S. federal income tax rate of 34% to pretax income because of the effect of the following items:

	2008	2009	2010
Tax expense at U.S. federal income tax rate	$1,632,451	$1,559,050	$4,478,741
State income taxes, net of federal income tax effect	230,824	98,168	263,123
Nondeductible expenses and other	85,419	73,573	100,694
Effect of state rate change on deferred items	(20,140)	50,730	(1,327)
Deferred tax asset valuation allowance	—	(1,964,642)	—
Research and development credit	—	(487,466)	—
Unrecognized tax benefits reassessment	—	72,856	19,991
Provision to return adjustments	(2,786)	(12,813)	(96,059)
	$1,925,768	$(610,544)	$4,765,163

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Notes to Consolidated Financial Statements (Continued)
Years Ended December 31, 2008, 2009 and 2010

At December 31, 2009 and 2010, the Company's deferred tax assets and liabilities consisted of the following:

	2009	2010
Current deferred tax assets:		
Reserves and allowances	$896,357	$1,537,128
Total current deferred tax assets	896,357	1,537,128
Noncurrent deferred tax assets:		
Intangible assets	2,753,729	900,671
Stock options	420,175	556,068
Research and development credit	414,609	59,387
Net operating loss carryforward	531,269	15,786
Total noncurrent deferred tax assets	4,119,782	1,531,912
Total deferred tax assets	5,016,139	3,069,040
Less valuation allowance for deferred tax assets	—	—
Total deferred tax assets, net of valuation allowances	5,016,139	3,069,040
Total current deferred tax liability:		
Prepaid and other expenses	2,790,561	3,325,291
Noncurrent deferred tax liabilities:		
Fixed assets	1,885,818	2,478,643
Total deferred tax liabilities	4,676,379	5,803,934
Net deferred tax asset (liability)	$339,760	$(2,734,894)

As of December 31, 2010, the Company has a state net operating loss carryforward of $325,000 that expires between 2019 and 2021.

12. Stockholders' Equity (Deficit)

Series A Common Stock

The Company had authorized 17,500,000 of Series A common shares, of which 12,323,352 were issued and outstanding at December 31, 2008. As of December 31, 2009 and 2010 the Company had no shares of Series A Common Stock issued or outstanding.

In June 2006, the Company issued 3,129,496 Series D preferred shares for $5.56 per share and used a portion of the proceeds to redeem 1,690,648 shares of Series A common stock for $9.4 million. The 1,690,648 shares were redeemed from the following entities and individuals: (a) Polygal Row, LLC, which is an investment vehicle that was created during the formation of the Company; at the time of the redemption, two of its members served on the Company's Board of Directors and the other members had no affiliation with the Company; (b) Frog Ventures, LLC, which is an investment vehicle that is majority-owned by Kimberly Keywell, the wife of Bradley A. Keywell, one of the Company's founders (Mrs. Keywell is not affiliated with the Company other than through her ownership and her husband); (c) Echo Global Logistics Series C Investment Partners, LLC, an investment vehicle formed to purchase the Company's Series C preferred stock; at the time of the redemption, two of its members served on the Company's Board of Directors and the other members had no affiliation with the Company; and (d) two employees who owned stock in the Company at the time of the redemption.

The terms and conditions relating to the issuance of the Series D preferred stock and related redemption transactions were determined through arm's-length negotiations among the Series D preferred investors, the holders of a majority of the Series A common units, and the Company. As part of the arm's-length negotiations, the parties agreed that $9.4 million of the Series D investment would be used to redeem shares of Series A common stock on a pro rata basis excluding shares held by affiliates of the Nazarian family, who invested in the Series D preferred stock, and InnerWorkings, Inc., an investor that was in the midst of its initial public offering. The parties also agreed on the ownership percentages that the shares of Series D preferred stock and Series A common stock, each as a class, would represent in the Company on a post-transaction basis. This percentage interest was the key factor in determining the redemption price. To arrive at the appropriate ownership percentage for the holders of Series A common stock, it was agreed that $9.4 million of the Series D investment would redeem 1,690,648 shares of Series A common stock at a redemption price of $5.56 per share. A redemption price of more or less than $5.56 per share would have resulted in the holders of Series A common stock, as a class, owning a larger or smaller percentage of the Company, on a post-transaction basis, than was agreed to in the arm's-length negotiations relating to the Series D investment.

The Company did not consider the Series A redemption value of $5.56 per share to represent the fair value of the Series A common shares at that time because it was the result of the negotiation, the primary purpose of which was to establish the post-financing equity interests. The Series A common valuation of $1.54 per share that was utilized by the Company for other Series A common share transactions at that time was the result of a valuation methodology employed by the Company consistently for all periods in accordance with the AICPA Guide, Valuation of Privately Held Company Equity Securities Issued as Compensation.

No compensation expense was recorded in accordance with ASC Topic 740 Income Taxes, as the redemption was a negotiated transaction and was not for services rendered by or on behalf of the Company. There was no service requirement in connection with the redemption.

As of September 24, 2009, immediately following the reverse stock split (see Note 2), the 12,562,102 shares of Series A Common Stock were converted to 12,562,102 shares of newly issued common stock.

Series B Preferred Shares

The Company had authorized 62,500 Series B preferred shares, all of which were issued for proceeds of $125,000 and were outstanding at December 31, 2007 and 2008. The Series B preferred shares were entitled to annual dividends payable at a rate of 6% of the Series B original issue price. The Series B preferred shares also had a liquidation preference over Series A common shares of 100% of the Series B original issue price plus accrued but unpaid dividends. No common holders would be paid until all Series B holders' distributions have been satisfied. As of December 31, 2008, the accrued preferred dividend due to Series B holders was $27,404.

The Series B preferred shares could be automatically converted into Series A common shares: (i) in the event that holders of at least 80% of the outstanding shares of Series B preferred stock consented to a conversion, or (ii) upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock for the Company's account, or (iii) upon a merger, acquisition, sale of voting control, or a sale of substantially all of the assets of the Company in which shareholders of the Company do not own the majority of the outstanding shares of the surviving corporation where the aggregate proceeds payable to holders of Series D preferred stock equal a per-share price not less than two times the original purchase price of the Series D preferred stock.

The number of shares of Series A common stock to which a Series B preferred stock holder was entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 1.0) by the number of Series B preferred shares to be converted. The conversion rate for the Series B preferred shares was subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price was subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2008, 62,500 Series A common shares would have been required to be issued upon the conversion of all of the issued and outstanding shares of Series B preferred stock.

In determining the appropriate accounting for the conversion feature for the Series B preferred stock, the Company first evaluated the host instrument (i.e., the Series B preferred stock) using the guidance provided by ASC Topic 815-10 Derivatives and Hedging, to determine whether the Series B preferred stock is considered to be a debt or equity host instrument. In connection with this evaluation, the Company considered the economic characteristics and risks of the host instrument based on all stated or implied substantive terms to assess whether the instrument is deemed more like equity or debt. The Company performed a detailed analysis of the features of the Series B preferred stock, including redemption features, dividend rights, voting rights, protective covenants, and conversion rights. As a result of its analysis, the Company determined that the Series B preferred stock instrument is deemed to be more akin to an equity instrument. Accordingly, the conversion feature is clearly and closely related to the Series B preferred stock host instrument, and the conversion feature is not within the scope of ASC Topic 815 Derivatives and Hedging. Additionally, the Company evaluated provisions of ASC Topic 470- 20 Debt Conversion and Other Options, to determine if the conversion feature in the Series B preferred stock instrument was considered to be a "beneficial conversion feature" in accordance with the guidance. The conversion feature did not have any intrinsic value at the commitment date (i.e., the date of the agreements) as the conversion rate is equal to or in excess of the fair value of the common stock. As a result, the conversion feature is not considered a beneficial conversion feature within the scope of either guidance.

As of September 24, 2009, immediately following the reverse stock split (see Note 2), the 62,500 shares of Series B Preferred Stock were converted to 62,500 shares of newly issued common stock. Accrued dividends of $33,155 were paid on October 7, 2009, the closing date of the initial public offering.

Series D Preferred Shares

In June 2006, the Company entered into an agreement with New Enterprise Associates 12, Limited Partnership (NEA) and affiliates of the Nazarian family whereby NEA and affiliates of the Nazarian family agreed to purchase 3,129,496 shares of the Company's Series D preferred stock for $17.4 million, or $5.56 per share, which resulted in proceeds received by the Company of $17,053,169, net of issuance costs. All of the shares were outstanding at December 31, 2008.

Affiliates of the Nazarian family were previous investors in the Company, but had not provided services to or participated in other transactions with the Company. NEA was a private investor that had not previously participated in any investment or other transactions with the Company. There are no related parties of the Company that hold an ownership interest in NEA or entities used by affiliates of the Nazarian family to invest in the Series D preferred shares.

The value of the Series D preferred stock, based on arm's-length negotiations with NEA and affiliates of the Nazarian family, was determined to be $5.56 per share. Factors contributing to a value that exceeded that of the Series A common stock were: (a) rights of first refusal and co-sale rights; (b) board representation rights; (c) information and inspection rights; (d) registration rights; (e) indemnification rights; (f) a liquidation preference equal to 150% of the Series D issuance price; (g) optional redemption rights; (h) a 6% accruing dividend; and (i) weighted-average anti-dilution protection. The value of the Class A common stock was determined in accordance with the guidance outlined in the AICPA Guide, Valuation of Privately Held Company Equity Securities Issued as Compensation and was consistently applied by the Company for all periods presented.

The Series D preferred shares were entitled to annual dividends payable at a rate of 6% of the Series D original issue price. The Series D preferred shares also had a liquidation preference of 150% of the Series D original issue price plus any accrued but unpaid dividends. No Series A or Series B holders were paid until all Series D holders' distributions were satisfied. As of December 31, 2008, the accrued preferred dividend due to Series D holders was $2,688,657.

The Series D preferred stock was fully redeemable at the greater of cost, plus accrued but unpaid dividends, or the fair market value of the shares agreed to by the Board and the holders any time on or after the five-year anniversary of the closing of the Series D preferred stock financing, or June 7, 2011. A majority of the then-outstanding Series D preferred stock holders must consent to this redemption.

The Series D preferred stock could be automatically converted into Series A common stock: (i) in the event that holders of at least a majority of the outstanding shares of Series D preferred stock consent to a conversion, or (ii) upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock for the Company's account on the following conditions: (a) at a per-share price not less than two times the original purchase price of the Series D preferred stock, and (b) for a total offering not less than $25 million (before deduction of underwriters' commission and expenses), or (iii) upon a merger, acquisition, sale of voting control, or a sale of substantially all of the assets of the Company in which shareholders of the Company do not own the majority of the outstanding shares of the surviving corporation where the aggregate proceeds payable to holders of Series D preferred shares equals a per-share price not less than two times the original purchase price of the Series D preferred stock. The number of shares of Series A common stock to which a Series D preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect by the number of Series D preferred shares to be converted. The conversion rate for the Series D preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then-effective conversion price.

As of December 31, 2008, 3,129,496 Series A common shares would have been required to be issued upon the conversion of all of the issued and outstanding shares of Series D preferred stock.

In determining the appropriate accounting for the conversion feature for the Series D preferred stock, the Company first evaluated the host instrument (i.e., the Series D preferred stock) using the guidance provided by ASC Topic 815-10 Derivatives and Hedging, to determine whether the Series D preferred stock is considered to be a debt or equity host instrument. In connection with this evaluation, the Company considered the economic characteristics and risks of the host instrument based on all stated or implied substantive terms to assess whether the instrument is deemed more like equity or debt. The Company performed a detailed analysis of the features of the Series D preferred stock, including redemption features, dividend rights, voting rights, protective covenants, and conversion rights. As a result of its analysis, the Company determined that the Series D preferred stock instrument is deemed to be more akin to an equity instrument. Accordingly, the conversion feature is clearly and closely related to the Series D preferred stock host instrument, and the conversion feature is not within the scope of ASC Topic 815 Derivatives and Hedging.

Additionally, the Company evaluated provisions of ASC Topic 470- 20 Debt Conversion and Other Options, to determine if the conversion feature in the Series D preferred stock instrument is considered to be a "beneficial conversion feature" in accordance with the guidance. The conversion feature did not have any intrinsic value at the commitment date (i.e., the date of the agreements) as the conversion rate is equal to or in excess of the fair value of the common stock. As a result, the conversion feature is not considered a beneficial conversion feature within the scope of the guidance.

As of September 24, 2009, immediately following the reverse stock split (see Note 2), 3,129,496 shares of Series D Preferred Stock were converted to 3,169,057 shares of newly issued common stock. Accrued dividends of $3,489,531 were paid on October 7, 2009, the closing date of the initial public offering.

Unvested Series A Common Stock

The Company sold an aggregate amount of 705,000 unvested shares of Series A common stock in 2006 and 2007 to certain members of management and the Board of Directors for $390,500. The shares vest over a period of one to three years, and the Company has the right to repurchase these shares if a service requirement is not met. The Company sold the unvested common shares at prices ranging from $0.50 to $8.10 per share, which were equal to fair value at the time of each transaction. As a result, no compensation expense was recorded related to these transactions. As of December 31 2008, the total number of these shares that had vested was 547,500. Upon vesting, the shares are classified as outstanding shares and reflected on the statement of stockholders' equity (deficit). Prior to vesting, the payment received for the portion of shares that is unvested is classified as a current liability on the balance sheets. As of December 31, 2008, amounts due to stockholders holding unvested Series A common stock totaled was $78,750. There were no unvested common stock shares as of December 31, 2009.

Initial Public Offering

In October 2009, the Company completed an initial public offering of shares of its common stock. The Company offered and sold 5,700,000 shares of common stock at a price to the public of $14.00 per share. All 5,700,000 shares were sold by the Company. The net proceeds to the Company from the initial public offering were $68.6 million, which, in part, the Company used for dividend payments to certain shareholders, and to repay outstanding indebtedness under its line of credit and loan agreement with certain existing shareholders.

13. Earnings Per Share

Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average shares outstanding plus share equivalents that would arise from the exercise of share options and the conversion of preferred shares. Conversion of 3,191,996 of Series B and D preferred shares were excluded from the calculation for the year ended December 31 , 2008 as they were anti-dilutive. The Series B and Series D preferred shares converted to common stock effective September 24, 2009 (see Note 12). Employee stock options totaling 442,700, 51,500 and 119,500 for 2008, 2009 and 2010 respectively, were excluded from the calculation of diluted earnings per share, as they were anti-dilutive. The computation of basic and diluted earnings per common share for the years ended December 31, 2008, 2009 and 2010 are as follows:

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Echo Global Logistics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
Years Ended December 31, 2008, 2009 and 2010

	Year Ended December 31,		
	2008	2009	2010
Numerator:			
Net income	$2,875,556	$5,195,984	$8,404,638
Preferred stock dividends	(1,054,380)	(806,625)	—
Net income applicable to common shareholders	$1,821,176	$4,389,359	$8,404,638
Denominator:			
Denominator for basic earnings per share—weighted-average shares	12,172,716	14,702,760	21,863,045
Effect of dilutive securities:			
Employee stock options	644,298	386,233	376,322
Denominator for dilutive earnings per share	12,817,014	15,088,993	22,239,367
Basic net income per common share	$0.15	$0.30	$0.38
Diluted net income per common share	$0.14	$0.29	$0.38

14. Stock-Based Compensation Plans

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

Using the Black-Scholes-Merton option valuation model and the assumptions listed below, the Company recorded $626,944, $521,764 and $592,372 in compensation expense with corresponding tax benefits of $244,527, $203,488 and $231,025for the years ended December 31, 2008, 2009 and 2010, respectively.

The following assumptions were utilized in the valuation for options granted in 2008, 2009 and 2010:

	2008	2009	2010
Dividend yield			