XPO Logistics

Notice of 2017 Annual Meeting

Proxy Statement

2016 Annual Report

XPO Logistics, Inc. (NYSE: XPO) is a top ten global logistics provider of cutting-edge supply chain solutions to the most successful companies in the world. The company operates as a highly integrated network of people, technology and physical assets in 34 countries, with over 87,000 employees and 1,425 locations. XPO uses its network to help more than 50,000 customers manage their goods more efficiently throughout their supply chains. The company has two reporting segments: transportation and logistics, and within these segments, its business is well diversified by geographies, verticals and types of service. XPO's corporate headquarters is in Greenwich, Conn., USA, and its European headquarters is in Lyon, France. www.xpo.com

Forward-looking Statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including our financial targets and our expected ability to generate profit improvement opportunities, including through cost rationalization, global procurement and the cross-fertilization of best practices. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include the risks discussed in our filings with the SEC and the following: economic conditions generally; competition and pricing pressures; our ability to align our investments in capital assets, including equipment, service centers and warehouses, to our customers' demands; our ability to successfully integrate and realize anticipated synergies, cost savings and profit improvement opportunities with respect to acquired companies; our ability to develop and implement suitable information technology systems; our substantial indebtedness; our ability to raise debt and equity capital; our ability to maintain positive relationships with our network of third-party transportation providers; our ability to attract and retain qualified drivers; litigation, including litigation related to alleged misclassification of independent contractors; labor matters, including our ability to manage our subcontractors, and risks associated with labor disputes at our customers and efforts by labor organizations to organize our employees; risks associated with our self-insured claims; risks associated with defined benefit plans for our current and former employees; fluctuations in currency exchange rates; fluctuations in fixed and floating interest rates; our ability to execute our growth strategy through acquisitions; fuel price and fuel surcharge changes; issues related to our intellectual property rights; governmental regulation, including trade compliance laws; and governmental or political actions, including the United Kingdom's likely exit from the European Union. All forward-looking statements set forth in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to or effects on us or our business or operations. Forward-looking statements set forth in this document speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except to the extent required by law.

XPOLogistics

To Our Stockholders

In 2016, XPO Logistics delivered high growth and high returns as one of the largest transportation and logistics companies in the world. We generated record results for full-year net income, cash flow from operations, adjusted EBITDA[1] and free cash flow[1], while continuing to invest in growth.

There were two main drivers behind our performance. Our healthy diversification across regions, verticals and services kept us resilient in a mixed global environment. At the same time, we realized numerous company-specific profit improvements that were unrelated to macro conditions.

One of the most notable tailwinds was the ongoing growth of e-commerce. XPO has been well positioned in e-commerce since 2013, when we entered the U.S. home delivery space as a last mile market leader. We specialize in last mile logistics for appliances, large electronics and other heavy goods—categories that are increasingly purchased online. We then expanded our role in the e-commerce supply chain by establishing XPO as the second largest contract logistics provider worldwide, with the largest outsourced e-fulfillment platform in Europe.

2016 was also a period of significant integration, following two major acquisitions a year earlier. Those integrations are now largely complete. This has precipitated the transfer of knowledge across business units and geographies in areas such as customer service, sales, safety, warehouse operations, cross-dock operations, maintenance, training and human resources. Many of the best practices we're adopting will be further enhanced by our technological development.

Our cloud-based technology and the cross-fertilization of best practices are two critical differentiators for our company. They leverage our scale, enhance our agility and unite us more strongly as an organization. In 2016, we elevated service to customers by sharing data globally with our senior salespeople, brought our brokerage software and last mile expertise to Europe, and instilled best-in-class practices across regions.

Also in 2016, we introduced proprietary pricing systems for our less-than-truckload operations and deployed 14,000 new handheld devices to improve dockworker and driver efficiency. In last mile, we rolled out software that gives us new capabilities for complex installations while maintaining our leading consumer satisfaction scores. Our proprietary Freight Optimizer and Rail Optimizer platforms are the industry's most advanced technology for truck brokerage and intermodal operations.

In logistics, our warehouses are becoming high-tech hubs with a combination of automated systems and robotics. Our technology creates labor efficiencies, improves inventory accuracy, and helps customers speed their products to market. For example, we use robots to automate the returns process for millions of telecommunication products a year. Robots wipe the items clean while our systems run through automated processes for warranty management, refurbishment, repair and resale. We can also customize products on the fly very close to fulfillment.

All of our initiatives boil down to one simple concept: *results matter*. Our goal is to help customers operate more efficiently and take out costs, while creating superior value for our investors. The clarity of this vision is a major reason why our employees are so highly engaged, and why our customers entrust us with over 150,000 shipments and five billion inventory units a day. In 2016, our more than 87,000 employees did an outstanding job of showing the world what we can achieve together as a global team. Our people are heroes to our customers. They inspire me every day with their drive and their pride in XPO.

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[1] Adjusted EBITDA and free cash flow are non-GAAP measures. Reconciliations to GAAP measures are provided in the attached financial tables on the last page of this annual report.

For our investors, our strategic execution has significantly increased XPO's stock price since present management took over in late 2011, far outpacing the Dow Jones Industrial Average, the Dow Jones Transportation Average, the S&P 500, and other relevant benchmarks. Our company is now even better positioned to create future shareholder appreciation, with a strong global brand and value proposition.

Financial Highlights

For the full year 2016, XPO reported revenue of $14.6 billion, net income attributable to common shareholders of $63 million, adjusted EBITDA of $1.25 billion, cash flow from operations of $625 million, and free cash flow of $211 million.

The strongest organic growth came from our last mile unit in North America and our global contract logistics operations, both of which benefitted from e-commerce. In our North American less-than-truckload unit, higher yield and lower SG&A drove a 440 basis point improvement in operating margin versus 2015[2], as we transformed the operations during integration.

Our focus remains on further enhancing customer service while realizing the many profit improvement opportunities embedded in our business. This year, we'll get the full 12-month benefit of the numerous efficiencies we implemented throughout 2016 in procurement, real estate, back office operations and workplace technologies. We have more savings to realize in each of these areas, along with cross-dock and warehouse automation, labor productivity and the global adoption of best practices.

In August 2016, we completed an opportunistic refinancing of $2.6 billion of debt. In October, we divested our asset-based truckload operation in North America, using the proceeds to pay down $550 million of debt. In March 2017, we refinanced our $1.5 billion existing term loan agreement at more favorable terms. We estimate that these actions together reduced our cash interest expense by more than $75 million annually.

Our leverage is comfortably within our long-term target of three to four times net debt over adjusted EBITDA. Approximately 89% of our debt matures in 2021 or later, and all of our debt is covenant-light. We expect that free cash flow in 2017 will provide additional opportunities to reduce debt, should we choose to do so.

Outlook

Our 2016 performance is a springboard for robust returns. Going forward, we expect a 17% year-over-year increase in adjusted EBITDA in 2017, and another 17% in 2018, with cash generation growing at a significantly faster pace than EBITDA each year. Our financial targets are:

- For 2017, full-year adjusted EBITDA of at least $1.350 billion.
- For 2018, full-year adjusted EBITDA of at least $1.575 billion.
- For 2017—2018, cumulative free cash flow of approximately $900 million, including at least $350 million of free cash flow generated in 2017.

Last year, we became a *Fortune 500* company for the first time and were named the fastest-growing company on the list. *Forbes* ranked us #17 among innovative growth companies and #263 among America's best employers. We appreciate these accolades as recognition that our growth strategy is working: we're leveraging our network of people, technology and assets to simultaneously create value for all our stakeholders.

Here's what I find most exciting about XPO: As large as we are, we hold just a 1.5% share of a $1 trillion addressable market. We're standing on the threshold of this massive opportunity with internal initiatives underway around the world to serve our customers even better, continuously improve our performance, lower our procurement costs, expand our global sales efforts, and compensate and motivate our people.

Our service range is managed by industry veterans in each line of business, led by an executive team and board whose interests align with our investors. We have a high-caliber sales organization cooperating on a $3.25 billion

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[2] Year-over-year comparison is based on 2015 acquisition pro forma for the full year.

pipeline of active bids. Our cutting-edge technology differentiates our brand, and our value proposition resonates with customers, particularly large companies that operate in fast-growing sectors. Over 60% of *Fortune 100* companies use our services, an indication of how quickly we've earned trust in a few short years.

Along the way, we've met or exceeded every financial target we issued. Now we're on track to accelerate EBITDA and free cash flow in 2017, and again in 2018, while helping our customers achieve greater success—once again delivering the results that matter.

April 17, 2017

Bradley S. Jacobs
Chairman and Chief Executive Officer

XPO LOGISTICS, INC.

Five American Lane
Greenwich, Connecticut 06831

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 10, 2017

To the Stockholders of XPO Logistics, Inc.:

Notice is hereby given that the annual meeting of stockholders of XPO Logistics, Inc. will be held on Wednesday, May 10, 2017 at 10:00 a.m. Eastern Daylight Time at Five Greenwich Office Park, Greenwich, Connecticut 06831, for the following purposes as more fully described in the proxy statement:

- To elect seven (7) members of our Board of Directors for a term to expire at the 2018 annual meeting of stockholders or until their successors are duly elected and qualified;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2017;
- To conduct an advisory vote to approve the executive compensation of our named executive officers as disclosed in this proxy statement;
- To consider and act upon a stockholder proposal, if properly presented at the annual meeting; and
- To consider and transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

Only stockholders of record of our common stock, par value $0.001 per share, and our Series A Convertible Perpetual Preferred Stock, par value $0.001 per share, as of the close of business on March 24, 2017, the "Record Date," are entitled to receive notice of, and to vote at, the annual meeting or any adjournment or postponement of the annual meeting.

Please note that if you plan to attend the annual meeting in person, you will need to register in advance and receive an admission ticket in order to be admitted. Please follow the instructions on pages 4 - 9 of the proxy statement.

Your vote is important. Whether or not you plan to attend the annual meeting in person, it is important that your shares be represented. We ask that you vote your shares as soon as possible.

By Order of the Board of Directors,

Bradley S. Jacobs
Chairman and Chief Executive Officer

Greenwich, Connecticut
April 17, 2017

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 10, 2017

This Proxy Statement and our Annual Report on Form 10-K for the Year Ended December 31, 2016 are available at www.edocumentview.com/XPO.

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 10, 2017

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PROXY STATEMENT SUMMARY

This proxy statement sets forth information relating to the solicitation of proxies by the Board of Directors of XPO Logistics, Inc. in connection with our company's 2017 annual meeting of stockholders. This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

2017 Annual Meeting of Stockholders

Date and Time: May 10, 2017 at 10:00 a.m. Eastern Daylight Time

Place: Five Greenwich Office Park, Greenwich, Connecticut 06831

Record Date: You can vote if you were a stockholder of record of our company as of the close of business on March 24, 2017.

Admission: You will need an admission ticket to enter the annual meeting. You may request an admission ticket by providing the name under which you hold shares of record or, if your shares are held in the name of a bank, broker or other holder of record, the evidence of your beneficial ownership of the shares, the number of admission tickets you are requesting and your contact information.

You can submit your request by sending an e-mail to annualmeeting@xpo.com OR by calling us toll-free at (855) 976-6951.

Voting Matters and Board Recommendations

The Board is not aware of any matter that will be presented for a vote at the 2017 annual meeting of stockholders other than those shown below.

	Board Vote Recommendation	Page Reference (for more detail)
Proposal 1: Election of Directors To elect seven (7) members of our Board of Directors for a term to expire at the 2018 annual meeting of stockholders or until their successors are duly elected and qualified	**FOR** each Director Nominee	10-23, 57
Proposal 2: Ratification of Appointment of Independent Public Accounting Firm To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal year 2017	**FOR**	54-56, 58
Proposal 3: Advisory Vote to Approve Executive Compensation To conduct an advisory vote to approve the executive compensation of our named executive officers (the "NEOs") as disclosed in this proxy statement	**FOR**	29-51, 59
Proposal 4: Stockholder Proposal Regarding an Annual Sustainability Report To issue an annual sustainability report regarding environmental, social and governance related issues affecting the company	**AGAINST**	60-63

How to Cast Your Vote (page 7 and proxy card)

If you are a registered stockholder (*i.e.*, you hold your shares in your own name), you can vote by proxy in three convenient ways:

- By telephone: Call toll-free 1-800-652-VOTE (8683) and follow the instructions.
- By internet: Go to *www.envisionreports.com/XPO* and follow the instructions.
- By mail: Complete, sign, date and return your proxy card in the provided envelope.

Telephone and internet voting facilities for stockholders of record will be available 24 hours a day and will close at 1:00 a.m. Eastern Daylight Time on May 10, 2017.

If you are the beneficial owner of shares, please follow the voting instructions provided by your broker, trustee or other nominee.

Board of Director Nominees (pages 10-23, 57)

The following table provides summary information about each director nominee. Each director is elected annually by a majority of the votes cast. The average age of our director nominees is 61 years and the average tenure is 4.4 years.

					Committee Memberships			
Name	**Age**	**Director Since**	**Occupation**	**Independent**	**AC**	**CC**	**NCGC**	**AcqC**
Bradley S. Jacobs	60	2011	Chairman and CEO, XPO Logistics, Inc.					
Gena L. Ashe	55	2016	Executive Vice President, Chief Legal Officer and Corporate Secretary (retired), BrightView Landscapes, LLC	Y			**C**	
Louis DeJoy	59	2015	Chief Executive Officer, Supply Chain (retired), XPO Logistics, Inc.					✓
Michael G. Jesselson	65	2011	Lead Independent Director, XPO Logistics, Inc. President and Chief Executive Officer, Jesselson Capital Corporation	Y		✓	✓	
Adrian P. Kingshott	57	2011	Chief Executive Officer, AdSon LLC	Y	✓	**C**		✓
Jason D. Papastavrou*	54	2011	Founder and Chief Investment Officer, ARIS Capital Management, LLC	Y	✓	✓	✓	**C**
Oren G. Shaffer*	74	2011	Vice Chairman and Chief Financial Officer (retired), Qwest Communications International, Inc.	Y	**C**			

C = Committee Chair ✓ **=** Committee Member * **=** Audit Committee Financial Expert

AC = Audit Committee **CC** = Compensation Committee **NCGC** = Nominating and Corporate Governance Committee

AcqC = Acquisition Committee

Governance and Compensation Highlights

Board Independence	Five of our seven current directors are independent; the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee consist entirely of independent directors.
Board Leadership	In 2016, our Board added a robust lead independent director position to its leadership structure to complement the roles of our independent committees and independent committee chairs in providing effective Board oversight. These independent structures work in conjunction with the dual roles served by our Chairman and Chief Executive Officer. The Board believes that the Board and company's leadership structure functions well for our company and is in the best interests of our stockholders based on the current strategy and ownership structure.
Board Refreshment	Our Board is committed to practices that create an effective mix of useful expertise and fresh perspectives, including the thoughtful refreshment of the Board when appropriate. In 2015, the Board initiated a process to seek out highly qualified director candidates who bring relevant experience to the Board and reflect our company's growing scale and diversity. This resulted in the addition of two new directors, one in 2015 and one in 2016. We regularly review our Board practices and composition.
Committee Chair Rotations	As part of its annual review of Board committee composition and committee chair assignments, in March 2016, the Board reconstituted the committees and rotated committee chairs in order to enhance the effective functioning of the committees and bring fresh perspectives to committee processes.
Annual Director Elections	All directors are elected annually for one-year terms until their successors are elected and qualified.
Majority Voting for Director Elections	Our bylaws provide for a majority voting standard in uncontested elections, and further require that a director who fails to receive a majority vote must tender his or her resignation to the Board.
Board Evaluations	Our Board evaluates committee and director performance and practices regularly.
Risk Oversight and Financial Reporting	Our Board seeks to provide robust oversight of current and potential risks facing our company and its business and demonstrate strong financial reporting practices.
Clawback Policy	Our Named Executive Officers ("NEOs") and other policy-making executive officers are subject to clawback provisions with respect to annual and long-term cash incentive compensation.
Lock-up Restrictions	Our NEOs are subject to lock-up restrictions that generally prohibit the sale of any equity awarded by our company until September 2, 2018.
Stock Ownership Guidelines	In 2016, our Board established stock ownership guidelines for our NEOs and other executive officers to further align their interests with those of our stockholders.
No Hedging or Pledging of Company Securities	Under our insider trading policy, our company's directors and executive officers, including the NEOs, are prohibited from pledging and hedging transactions involving our company's securities.

PROXY STATEMENT

This proxy statement sets forth information relating to the solicitation of proxies by the Board of Directors (our "Board of Directors" or our "Board") of XPO Logistics, Inc. ("XPO Logistics" or our "company") in connection with our company's 2017 annual meeting of stockholders or any adjournment or postponement of the annual meeting. This proxy statement is being furnished by our Board of Directors for use at the annual meeting of stockholders to be held on May 10, 2017 at 10:00 a.m. Eastern Daylight Time at Five Greenwich Office Park, Greenwich, Connecticut 06831.

This proxy statement and form of proxy are first being mailed on or about April 17, 2017, to our stockholders of record as of the close of business on March 24, 2017 (the "Record Date").

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

The following questions and answers address some questions you may have regarding the annual meeting. These questions and answers may not include all the information that may be important to you as a stockholder of our company. Please refer to the more detailed information contained elsewhere in this proxy statement.

What items of business will be voted on at the annual meeting?

We expect that the business put forth for a vote at the annual meeting will be as follows:

- To elect seven (7) members of our Board of Directors for a term to expire at the 2018 annual meeting of stockholders or until their successors are duly elected and qualified *(Proposal 1)*;
- To ratify the appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for 2017 *(Proposal 2)*;
- To conduct an advisory vote to approve the executive compensation of our named executive officers as disclosed in this proxy statement (*Proposal 3*);
- To consider and act upon a stockholder proposal, if properly presented at the annual meeting *(Proposal 4)*; and
- To consider and transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

In addition, senior management of XPO Logistics and representatives of our outside auditor, KPMG, will be available to respond to questions.

Who can attend and vote at the annual meeting?

You are entitled to receive notice of and to attend and vote at the annual meeting, or any adjournment or postponement thereof, if, as of the close of business on March 24, 2017, the Record Date, you were a holder of record of our common stock or Series A Convertible Perpetual Preferred Stock (the "Series A Preferred Stock").

As of the Record Date, there were issued and outstanding 111,551,028 shares of common stock, each of which is entitled to one vote on each matter to come before the annual meeting. In addition, as of the Record Date, there were issued and outstanding 71,510 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is entitled to vote together with our common stock on each matter to come before the annual meeting as if the share of Series A Preferred Stock were converted into shares of common stock as of the Record Date, meaning that each share of Series A Preferred Stock is entitled to approximately 143 votes on each matter to come before the annual meeting. As a result, a total of 121,766,742 votes are eligible to be cast at the annual meeting based on the number of outstanding shares of our common stock and Series A Preferred Stock, voting together as a single class.

If you wish to attend the annual meeting and your shares are held in an account at a broker, dealer, commercial bank, trust company or other nominee (i.e., in "street name"), you will need to bring a copy of your voting instruction card or statement reflecting your share ownership as of the Record Date, as well as an admission card as outlined below. Street name holders who wish to vote at the annual meeting will need to obtain a proxy from the broker, dealer, commercial bank, trust company or other nominee that holds their shares.

Do I need a ticket to attend the annual meeting?

Yes, you will need an admission card to enter the annual meeting. You may request tickets by providing the name under which you hold shares of record or, if your shares are held in the name of a bank, broker or other holder of record, the evidence of your beneficial ownership of the shares as of the Record Date, the number of tickets you are requesting and your contact information. You can submit your request in the following ways:

- By sending an e-mail to annualmeeting@xpo.com; or
- By calling us toll-free at (855) 976-6951.

Stockholders also must present a form of personal photo identification in order to be admitted to the annual meeting.

How many shares must be present to conduct business at the annual meeting?

A quorum is necessary to hold a valid meeting of stockholders. For each of the proposals to be presented at the annual meeting, the holders of shares of our common stock or Series A Preferred Stock outstanding on the Record Date representing 60,883,372 votes must be present at the annual meeting, in person or by proxy. If you vote—including by internet, telephone or proxy card—your shares voted will be counted towards the quorum for the annual meeting. Abstentions and broker non-votes are counted as present for the purpose of determining a quorum.

What are my voting choices?

With respect to the election of directors, you may vote "FOR" or "AGAINST" each of the director nominees, or you may "ABSTAIN" from voting for one or more of such nominees. With respect to the other proposals to be considered at the annual meeting, you may vote "FOR" or "AGAINST" or you may "ABSTAIN" from voting on any proposal. If you sign your proxy or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board of Directors and in the discretion of the proxy holders on any other matters that properly come before the annual meeting.

What vote is required to approve the proposals being considered at the annual meeting?

- ***Proposal 1*****: Election of seven (7) directors.** The election of each of the seven (7) director nominees named in this proxy statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present. If any incumbent director standing for re-election receives a greater number of votes "against" his or her election than votes "for" such election, our bylaws require that such person must promptly tender his or her resignation to our Board of Directors. You may not accumulate your votes for the election of directors.

  Brokers may not use discretionary authority to vote shares on the election of directors if they have not received specific instructions from their clients. If you are a beneficial owner of shares, for your vote to be counted in the election of directors, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the annual meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation of such vote, and will have no effect on the election of director nominees.

- ***Proposal 2*: Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2017.** Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2017, requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present. Abstentions are not considered votes cast for purposes of tabulation of the foregoing vote, and will have no effect on the ratification of KPMG. We do not expect any broker non-votes as brokers have discretionary authority to vote on this proposal.

- ***Proposal 3*: Advisory vote to approve executive compensation.** Advisory approval of the resolution on executive compensation of our named executive officers as disclosed in this proxy statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present. This resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on our Board of Directors. Although non-binding, our Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

  Brokers may not use discretionary authority to vote shares on the advisory vote to approve executive compensation if they have not received specific instructions from their clients. If you are a beneficial owner of shares, for your vote to be counted in the advisory vote to approve executive compensation, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the annual meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation of such vote, and will have no effect on the advisory vote to approve executive compensation.

- ***Proposal 4*: Stockholder proposal regarding an annual sustainability report.** Approval of the issuance of an annual sustainability report regarding environmental, social and governance related issues affecting the company requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present.

  Brokers may not use discretionary authority to vote shares on the stockholder proposal if they have not received specific instructions from their clients. If you are a beneficial owner of shares, for your vote to be counted in favor of the stockholder proposal regarding annual sustainability reporting, you will need to communicate your voting decisions to your bank, broker or other nominee before the date of the annual meeting in accordance with their specific instructions. Abstentions and broker non-votes are not considered votes cast for purposes of tabulation of such vote, and will have no effect on the vote on this stockholder proposal.

In general, other business properly brought before the annual meeting requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present.

How does the Board of Directors recommend that I vote?

Our Board of Directors, after careful consideration, recommends that our stockholders vote **"FOR"** the election of each director nominee named in this proxy statement, **"FOR"** ratification of KPMG as our independent registered public accounting firm for 2017, **"FOR"** advisory approval of the resolution to approve executive compensation, and "**AGAINST**" the approval of the stockholder proposal regarding annual sustainability reporting, if such proposal is properly brought at the meeting.

What do I need to do now?

We urge you to read this proxy statement carefully. Then just mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the annual meeting of stockholders. Holders of record may also vote by telephone or the internet by following the instructions on the proxy card.

How do I cast my vote?

Registered Stockholders. If you are a registered stockholder (*i.e.*, you hold your shares in your own name through our transfer agent, Computershare Trust Company, N.A., and not through a broker, bank or other nominee that holds shares for your account in "street name"), you may vote by proxy via the internet, by telephone, or by mail by following the instructions provided on the proxy card. Proxies submitted via telephone or internet must be received by 1:00 a.m. Eastern Daylight Time on May 10, 2017. Please see the proxy card provided to you for instructions on how to submit your proxy by telephone or the internet. Stockholders of record who attend the annual meeting may vote in person by obtaining a ballot from the inspector of elections.

Beneficial Owners. If you are a beneficial owner of shares (*i.e.*, your shares are held in the name of a brokerage firm, bank or a trustee), you may vote by proxy by following the instructions provided in the voting instruction form or other materials provided to you by the brokerage firm, bank or other nominee that holds your shares. To vote in person at the annual meeting, you must obtain a legal proxy from the brokerage firm, bank or other nominee that holds your shares.

What is the deadline to vote?

If you hold shares as the stockholder of record, your vote by proxy must be received before the polls close at the annual meeting. As indicated on the proxy card provided to you, proxies submitted via telephone or internet must be received by 1:00 a.m. Eastern Daylight Time on May 10, 2017.

If you are the beneficial owner of shares, please follow the voting instructions provided by your broker, trustee or other nominee.

What happens if I do not respond or if I respond and fail to indicate my voting preference or if I abstain from voting?

If you fail to sign, date and return your proxy card or fail to vote by telephone or internet as provided on your proxy card, your shares will not be counted towards establishing a quorum for the annual meeting, which requires holders representing a majority of the outstanding shares of our common stock (including those that would be issued if all of our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) to be present in person or by proxy. Failure to vote, assuming the presence of a quorum, will have no effect on the tabulation of the vote on the proposals.

If you are a stockholder of record and you properly sign, date and return your proxy card, but do not indicate your voting preference, we will count your proxy as a vote "**FOR**" the election of the seven nominees for director named in “Proposal 1—Election of Directors,” “**FOR**” ratification of KPMG as our independent registered public accounting firm for 2017, “**FOR**” advisory approval of the resolution to approve executive compensation and “**AGAINST**” the approval of the stockholder proposal regarding annual sustainability reporting, if properly presented at the annual meeting.

If my shares are held in “street name” by my broker, dealer, commercial bank, trust company or other nominee, will such broker or other nominee vote my shares for me?

You should instruct your broker or other nominee on how to vote your shares using the instructions provided by such broker or other nominee. Absent specific voting instructions, brokers or other nominees who hold shares of our common stock in “street name” for customers are prevented by the rules set forth in the Listed Company Manual (the “NYSE Rules”) of the New York Stock Exchange (the “NYSE”) from exercising voting discretion in respect of non-routine or contested matters. We expect that when the NYSE evaluates the proposals to be voted on at the annual meeting to determine whether each proposal is a routine or non-routine matter, only “Proposal 2—Ratification of the Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2017” will be evaluated as routine. Shares not voted by a broker or other nominee because such broker or other nominee does not have instructions or cannot exercise discretionary voting power with respect to one or more proposals are referred to as “broker non-votes.” It is important that you instruct your broker or other nominee on how to vote your shares of our common stock held in “street name” in accordance with the voting instructions provided by such broker or other nominee.

Can I change my vote after I have mailed my proxy card?

Yes. Whether you attend the annual meeting or not, you may revoke a proxy at any time before your proxy is voted at the annual meeting. You may do so by properly delivering a later-dated proxy either by mail, the internet or telephone or by attending the annual meeting in person and voting. Please note, however, your attendance at the annual meeting will not automatically revoke any prior proxy unless you vote again at the annual meeting or specifically request in writing that your prior proxy be revoked. You also may revoke your proxy by delivering a notice of revocation to our company (Attention: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831) prior to the vote at the annual meeting. If you hold your shares through a broker, dealer, commercial bank, trust company or other nominee, you should follow the instructions of such broker or other nominee regarding revocation of proxies.

How will the persons named as proxies vote?

If you complete and submit a proxy, the persons named as proxies will follow your instructions. If you submit a proxy but do not provide instructions, or if your instructions are unclear, the persons named as proxies will vote as recommended by our Board of Directors or, if no recommendation is given, by using their own discretion.

Where can I find the results of the voting?

We intend to announce preliminary voting results at the annual meeting and will publish final results through a Current Report on Form 8-K to be filed with the Securities and Exchange Commission (“SEC”) within four (4) business days after the annual meeting. The Current Report on Form 8-K will be available on the internet at our website, www.xpo.com.

Who will pay for the cost of soliciting proxies?

We will pay for the cost of soliciting proxies. We have engaged Innisfree M&A Incorporated to assist us in soliciting proxies in connection with the annual meeting, and have agreed to pay them approximately $12,500 plus their expenses for providing such services. Our directors, officers and other employees, without additional compensation, may solicit proxies personally, in writing, by telephone, by email or otherwise. As is customary, we will reimburse brokerage firms, fiduciaries, voting trustees, and other nominees for forwarding our proxy materials to each beneficial owner of common stock or Series A Preferred Stock held of record by them.

What is "householding" and how does it affect me?

In accordance with notices to many stockholders who hold their shares through a bank, broker or other holder of record (a "street-name stockholder") and share a single address, only one copy of our proxy statement and 2016 annual report to stockholders is being delivered to that address unless contrary instructions from any stockholder at that address were received. This practice, known as "householding," is intended to reduce our printing and postage costs. However, any such street-name stockholder residing at the same address who wishes to receive a separate copy of this proxy statement and annual report may request a copy by contacting the bank, broker or other holder of record, or by sending a written request to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831 or by contacting Investor Relations by telephone at (855) 976-6951. The voting instruction form sent to a street-name stockholder should provide information on how to request: (1) householding of future company materials, or (2) separate materials if only one set of documents is being sent to a household. A stockholder who would like to make one of these requests should contact us as indicated above.

Can I obtain an electronic copy of proxy materials?

Yes, this proxy statement, annual report and the proxy card are available on the internet at www.edocumentview.com/XPO.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Directors

Our Board of Directors currently consists of seven (7) members, as set forth in the table below. The current term of each of our directors will expire at the 2017 annual meeting of stockholders. Our Board of Directors has nominated all current directors to stand for re-election at the annual meeting, as set forth in Proposal 1 on page 57 of this proxy statement.

Name	Occupation
Bradley S. Jacobs	Chairman and Chief Executive Officer, XPO Logistics, Inc.
Gena L. Ashe	Executive Vice President, Chief Legal Officer and Corporate Secretary (retired), BrightView Landscapes, LLC
Louis DeJoy	Chief Executive Officer, Supply Chain (retired), XPO Logistics, Inc.
Michael G. Jesselson	Lead Independent Director, XPO Logistics, Inc.; President and Chief Executive Officer, Jesselson Capital Corporation
Adrian P. Kingshott	Chief Executive Officer, AdSon LLC
Jason D. Papastavrou	Founder and Chief Investment Officer, ARIS Capital Management, LLC
Oren G. Shaffer	Vice Chairman and Chief Financial Officer (retired), Qwest Communications International, Inc.

Under the terms of an Investment Agreement, dated June 13, 2011 (the “Investment Agreement”), by and among Jacobs Private Equity, LLC (“JPE”), the other investors party thereto (collectively with JPE, the “Investors”), and our company, our company must take all necessary steps to nominate, and must use its reasonable best efforts to cause our Board of Directors to unanimously recommend that our stockholders vote in favor of, all nominees for election to our Board of Directors designated by Bradley S. Jacobs, as the managing member of JPE, subject to our Board of Directors’ fiduciary duties. JPE also has the right to designate certain percentages of the nominees for our Board of Directors so long as JPE owns securities (including preferred stock convertible into, or warrants exercisable for, securities) representing specified percentages of the total voting power of our capital stock on a fully-diluted basis. JPE does not currently exceed the indicated voting power thresholds under the Investment Agreement. The foregoing rights of JPE under the Investment Agreement are in addition to, and not in limitation of, JPE’s voting rights as a holder of capital stock of our company. JPE is controlled by Bradley S. Jacobs, our Chairman of the Board and Chief Executive Officer. The Investment Agreement and the terms contemplated therein were approved by our stockholders at a special meeting on September 1, 2011.

None of the foregoing will prevent our Board of Directors from acting in accordance with its fiduciary duties or applicable law or stock exchange requirements or from acting in good faith in accordance with our governing documents, while giving due consideration to the intent of the Investment Agreement.

Our Board of Directors consists of a highly experienced group of business leaders, many of whom have served as executive officers or on boards and board committees of major companies and have an extensive understanding of the principles of corporate governance. Our Board as a whole has broad expertise in business administration, corporate finance, capital markets, compliance and risk assessment, corporate governance, corporate responsibility, mergers and acquisitions and integration, talent management, investment banking, legal and operational matters, as well as in the customer service, transportation and logistics sectors, and public company board experience. In addition, our directors have a strong owner orientation—approximately 16.3% of the voting power of our capital stock on a fully-diluted basis is held by our directors or by entities or persons related to our directors (as of the Record Date).

We have set forth below information regarding each of our director nominees, including the experience, qualifications, attributes or skills that led our Board of Directors to conclude that such person should serve as a director.

Bradley S. Jacobs **Director since 2011**

Mr. Jacobs has served as our Chief Executive Officer and Chairman of our Board of Directors since September 2, 2011. Mr. Jacobs is also the managing director of JPE, which is our second largest stockholder. He has led two public companies: United Rentals, Inc. (NYSE: URI), which he founded in 1997, and United Waste Systems, Inc., which he founded in 1989. Mr. Jacobs served as chairman and chief executive officer of United Rentals for that company's first six years, and as its executive chairman for an additional four years. He served eight years as chairman and chief executive officer of United Waste Systems. Previously, Mr. Jacobs founded Hamilton Resources (UK) Ltd. and served as its chairman and chief operating officer. This followed the co-founding of his first venture, Amerex Oil Associates, Inc., where he was chief executive officer.

Age: 60
Board Committees: None
Other Public Company Boards: None

***Mr. Jacobs brings to the Board*:**

- In-depth knowledge of the company's business resulting from his years of service with the company in various capacities;
- Leadership experience as the company's Chief Executive Officer and Chairman, and his successful track record of leading companies that execute strategies similar to ours; and
- Extensive past experience as the chairman of the board of directors of several public companies.

Gena L. Ashe **Director since 2016**

Ms. Ashe joined our Board of Directors on March 21, 2016. Ms. Ashe has more than 20 years of broad-based legal experience across a variety of industries, most recently serving as executive vice president, chief legal officer and corporate secretary of BrightView Landscapes, LLC (formerly The Brickman Group, Ltd. LLC), the largest national commercial landscape, lawncare maintenance/construction and snow management company in the United States. In that role, which she held from February 2013 until March 2016, she was responsible for leading all aspects of BrightView's legal, risk management, safety, compliance and corporate governance functions. Prior to joining BrightView, from September 2010 until October 2012, Ms. Ashe was senior vice president of legal affairs of Catalina Marketing Corporation, a global digital media enterprise for some of the world's most well-known brands, and prior to that she held senior legal roles with the Public Broadcasting Service (PBS), Darden Restaurants, Inc. (parent company of Olive Garden, Red Lobster, Capital Grille, LongHorn Steakhouse, Bahama Breeze, and Eddie V's restaurants), Lucent Technologies, Inc. and AT&T. Earlier, she was an electrical engineer with IBM Corporation before joining IBM's legal team. Ms. Ashe holds a bachelor's degree in mathematics, with a minor in physics, from Spelman College; a master's degree in electrical engineering from Georgia Institute of Technology; and a doctor of law degree from Georgetown University, where she currently serves as a Georgetown University Law Advisory Board Member. She is a graduate of the executive development program of the Wharton School of the University of Pennsylvania, and holds a certificate in international management from Oxford University in England.

Age: 55
Board Committees:

- Chair of Nominating and Corporate Governance Committee

Other Public Company Boards: None

Ms. Ashe brings to the Board:

- More than two decades of valuable legal experience with public and private companies, which enables her to provide guidance to the Board and company management on legal matters, compliance and risk assessment and corporate governance best practices; and
- An in-depth understanding of the dynamics of three of our most important customer verticals: e-commerce, technology and food and beverage.

Louis DeJoy — **Director since 2015**

Mr. DeJoy has served as a director of the company since December 3, 2015. He was most recently chief executive officer of the XPO Logistics supply chain business in the Americas (retired as of December 7, 2015). Previously, he led New Breed Logistics as its chairman and chief executive officer from 1983 until XPO Logistics acquired New Breed in 2014. During that time, he grew the company from a small, regional operation to a leading U.S. provider of highly engineered, technology-driven contract logistics solutions. Mr. DeJoy is a member of the boards of trustees of Elon University and the PGA Wyndham Championship, and serves on the board of directors for The Fund for American Studies in Washington, DC. He is a past member of the board of trustees of Moses Cone Health System in North Carolina, and was an appointee to the President's Commission on White House Fellowships. He holds a business degree from Stetson University.

Age: 59

Board Committees:

- Member of Acquisition Committee

Other Public Company Boards: None

Mr. DeJoy brings to the Board:

- Significant expertise in supply chain operations that allows him to provide valuable guidance to our Board on strategic and operational matters with respect to our logistics business unit.

Michael G. Jesselson — **Director since 2011, Lead Independent Director since 2016**

Mr. Jesselson has served as a director of the company since September 2, 2011, and as lead independent director since March 20, 2016. Mr. Jesselson has served as president and chief executive officer of Jesselson Capital Corporation since 1994. He is a longstanding director of American Eagle Outfitters, Inc. and serves as that company's lead independent director. Additionally, he is a director of C-III Capital Partners LLC and other private companies, as well as numerous philanthropic organizations. Mr. Jesselson was recently elected chairman of Bar Ilan University in Israel.

Age: 65

Board Committees:

- Member of Compensation Committee
- Member of Nominating and Corporate Governance Committee

Other Public Company Boards: American Eagle Outfitters, Inc. (since 1997)

Mr. Jesselson brings to the Board:

- Significant experience with public company corporate governance issues through service with American Eagle Outfitters on its board since 1997, and as its lead independent director since 2012; and
- Investment expertise.

Adrian P. Kingshott — **Director since 2011**

Mr. Kingshott has served as a director of the company since September 2, 2011. He is the chief executive officer of AdSon LLC and managing director of Spotlight Advisors, LLC. He has been a senior advisor to Headwaters Merchant Bank since 2013. Previously, for Goldman Sachs, he was co-head of that firm's Leveraged Finance business and held other positions over a 17-year tenure. More recently, Mr. Kingshott was a managing director and portfolio manager at Amaranth Advisors, LLC. He is an adjunct professor of Global Capital Markets at Fairfield University's Dolan School of Business, and an adjunct professor of Global Capital Markets and Investments at Fordham University's Gabelli School of Business. He holds a master of business administration degree from Harvard Business School and a master of jurisprudence degree from Oxford University. Mr. Kingshott is a member of the board of directors of Centre Lane Investment Corp.

Age: 57

Board Committees:

- Chairman of Compensation Committee
- Member of Audit Committee
- Member of Acquisition Committee

Other Public Company Boards: None

Mr. Kingshott brings to the Board:

- More than 25 years of experience in the investment banking and investment management industries; and
- Expertise with respect to corporate governance, acquisition transactions, debt and equity financing and corporate financial management issues.

Jason D. Papastavrou, Ph.D. **Director since 2011**

Dr. Papastavrou has served as a director of the company since September 2, 2011. Dr. Papastavrou is the founder and chief investment officer of ARIS Capital Management, LLC. Previously, Dr. Papastavrou was the founder and managing director of the Fund of Hedge Funds Strategies Group of Banc of America Capital Management (BACAP), president of BACAP Alternative Advisors, and a senior portfolio manager with Deutsche Asset Management. He was a tenured professor at Purdue University School of Industrial Engineering, and holds a doctorate in electrical engineering and computer science from the Massachusetts Institute of Technology. Dr. Papastavrou serves on the board of directors of United Rentals, Inc.

Age: 54

Board Committees:

- Chairman of Acquisition Committee
- Member of Audit Committee
- Member of Compensation Committee
- Member of Nominating and Corporate Governance Committee

Other Public Company Boards: United Rentals, Inc. (since 2005)

Dr. Papastavrou brings to the Board:

- Financial expertise from his qualifications as an "audit committee financial expert" under SEC regulations; and
- Extensive experience with finance and risk-related matters from holding senior positions at investment management firms.

Oren G. Shaffer **Director since 2011**

Mr. Shaffer has served as a director of the company since September 2, 2011. From 2002 to 2007, Mr. Shaffer was vice chairman and chief financial officer of Qwest Communications International, Inc. (now CenturyLink, Inc.). Previously, Mr. Shaffer was president and chief operating officer of Sorrento Networks, Inc., executive vice president and chief financial officer of Ameritech Corporation, and held senior executive positions with The Goodyear Tire & Rubber Company, where he also served on the board of directors. Mr. Shaffer is a director on the board of Terex Corporation and Konecranes Plc. He holds a master's degree in management from the Sloan School of Management, Massachusetts Institute of Technology, and a degree in finance and business administration from the University of California, Berkeley.

Age: 74

Board Committees:

- Chairman of Audit Committee

Other Public Company Boards: Terex Corporation (since 2007)

Mr. Shaffer brings to the Board:

- Senior financial, operational and strategic experience with various large companies;
- Corporate governance expertise from serving as director of various public companies; and
- Financial expertise from his qualifications as an "audit committee financial expert" under SEC regulations.

Summary of Director Qualifications and Experience

	Bradley S. Jacobs	Gena L. Ashe	Louis DeJoy	Michael G. Jesselson	Adrian P. Kingshott	Jason D. Papastavrou, Ph.D.	Oren G. Shaffer
BUSINESS ADMINISTRATION experience brings valuable organizational techniques and leadership qualities.	•	•	•	•	•	•	•
BUSINESS OPERATIONS experience provides a practical understanding of developing, implementing and assessing our operating plan and business strategy.	•	•	•	•	•	•	•
CORPORATE GOVERNANCE experience bolsters Board and management accountability, transparency and a focus on stockholder interests.	•	•	•	•	•	•	•
CUSTOMER SERVICE INDUSTRY experience brings important perspective to our Board given the importance of customer service to our business model.	•	•	•	•			
ENVIRONMENTAL, SUSTAINABILITY, CORPORATE RESPONSIBILITY experience allows our Board's oversight to guide our long-term value creation for stockholders in a way that is responsible and sustainable.	•	•	•	•			
FINANCE/CAPITAL ALLOCATION experience is crucial to our Board's evaluation of our financial statements and capital structure.	•			•	•	•	•
FINANCIAL EXPERTISE/LITERACY assists our directors in understanding and overseeing our financial reporting and internal controls.	•	•	•	•	•	•	•
HUMAN CAPITAL MANAGEMENT experience allows our Board to further our company's goals for making XPO an attractive employment environment and aligning human resource objectives with our strategic and operational priorities.	•	•	•	•			
INTERNATIONAL experience is important given the global nature of our business strategy and operations.	•	•	•	•	•	•	•
INVESTMENTS experience assists our Board in evaluating our financial statements and investment strategy.	•		•	•	•	•	•
MARKETING/SALES experience helps our Board assist our business strategy and developing new products and operations.	•	•	•				
MERGERS & ACQUISITIONS and INTEGRATION experience helps our company identify the right targets for M&A activity that achieve our strategic objectives, and realize synergies and optimal growth.	•	•	•	•	•	•	•
LOGISTICS INDUSTRY experience is important in understanding and reviewing our business and strategy.	•		•			•	
RISK MANAGEMENT experience is critical to our Board's role in overseeing the risks facing our company.	•	•	•	•	•	•	•
TALENT MANAGEMENT experience helps XPO attract, motivate and retain top candidates for our management and leadership.	•	•	•	•	•	•	•
TECHNOLOGY/SYSTEMS experience is relevant as our company is continually seeking to enhance our customer experience and internal operations.	•	•	•				

Role of the Board and Board Leadership Structure

Our business and affairs are managed under the direction of our Board of Directors, which is our company's ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board's primary responsibility is to seek to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our senior management team, which is charged with the conduct of our business, monitors the performance of our company and management, and provides advice and counsel to management. In fulfilling the Board's responsibilities, our directors have full access to our management, internal and external auditors and outside advisors.

Furthermore, our Board of Directors is committed to independent Board oversight. Our current Board leadership structure includes an executive Chairman and a lead director who is an independent director. The positions of Chairman of the Board and Chief Executive Officer are both currently held by Mr. Jacobs. Our Board believes that this combination of roles is currently appropriate because the structure enables decisive leadership and ensures clear accountability in the context of strong Board practices and a Board culture that facilitates independent oversight. Our Board believes the dual roles function well for our company based on our current strategy, governance and ownership structure.

In 2016, our Board of Directors approved amendments to our company's Corporate Governance Guidelines (the "Guidelines") to provide that the independent directors may appoint a lead independent director who presides over executive sessions of the independent directors, and who shall serve a term of at least one year. On March 20, 2016, the independent directors appointed Mr. Jesselson to serve as lead independent director. The position of lead independent director has been structured to serve as an effective balance to the dual roles served by Mr. Jacobs. The lead independent director is selected from the independent directors of the Board of Directors. The lead independent director presides at all meetings of the Board of Directors at which the Chairman is not present and presides at all executive sessions of the independent directors. The Guidelines require that the independent directors meet at least once a year without members of management present, and the lead independent director is empowered to call additional meetings of the independent directors as necessary. In practice, our independent directors have met much more frequently in executive session. The lead independent director also serves as a liaison between the Chairman and the independent directors. Together with the Chairman, the lead independent director develops and approves Board meeting agendas, meeting schedules, and meeting materials to be distributed to our Board of Directors in order to assure sufficient time for informed discussions of issues. The lead independent director is also available to meet with significant stockholders as appropriate and required.

Further information regarding the position of lead independent director is set forth in the Guidelines. The Guidelines are available on the company's corporate website at www.xpo.com under the Investors tab.

Our Board of Directors held ten meetings during 2016. In 2016, each person serving as a director attended at least 75% of the meetings of our Board of Directors and any Board committee on which he or she served. Our Board of Directors also acted five times during 2016 via unanimous written consent.

Our directors are expected to attend the annual meeting. Any director who is unable to attend the annual meeting is expected to notify the Chairman of the Board in advance of the annual meeting. Each person who was then serving as a director attended the 2016 annual meeting of stockholders.

Board Risk Oversight

Our Board of Directors provides overall risk oversight with a focus on the most significant risks facing our company. The management of the risks that we face in the conduct of our business is primarily the responsibility of our senior management team. Our senior management team periodically reviews with our Board of Directors any significant risks facing our company. Our business, strategy, operations, policies, controls and prospects are regularly discussed by our Board of Directors and management team, including discussions as to current and potential risks and approaches for assessing, monitoring, mitigating and controlling risk exposure. Our Board of Directors has delegated responsibility for the oversight of specific risks to the committees of the Board as follows:

- *Audit Committee*. The Audit Committee oversees the policies that govern the process by which our exposure to risk is assessed and managed by management. In that role, the Audit Committee discusses with our management major financial risk exposures and the steps that management has taken to monitor and control these exposures. The Audit Committee also is responsible for reviewing risks arising from related party transactions involving our company and for overseeing our company-wide Code of Business Ethics.
- *Compensation Committee*. The Compensation Committee monitors the risks associated with our compensation philosophy and programs.
- *Nominating and Corporate Governance Committee*. The Nominating and Corporate Governance Committee oversees risks related to our governance structure and processes.
- *Acquisition Committee*. The Acquisition Committee oversees risks related to the execution of our acquisition strategy.

Our Board of Directors and Compensation Committee, in consultation with our independent compensation consultant Semler Brossy Consulting Group, LLC ("Semler Brossy"), have assessed the risks that could arise from our employee compensation policies and do not believe that such policies are reasonably likely to have a materially adverse effect on our company.

Committees of the Board and Committee Membership

Our Board of Directors has established four separately designated standing committees to assist our Board of Directors in discharging its responsibilities: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Acquisition Committee. Our Board of Directors may eliminate or create additional committees as it deems appropriate. The charters for our Board committees are in compliance with applicable SEC rules and the NYSE Listed Company Manual. These charters are available at www.xpo.com. You may obtain a printed copy of any of these charters by sending a request to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

The Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee are composed entirely of independent directors within all applicable standards (as further discussed below). Our Board of Directors' general policy is to review and approve committee assignments annually. The Nominating and Corporate Governance Committee is responsible, after consultation with our Chairman of the Board and Chief Executive Officer and consideration of appropriate member qualifications, to recommend to our Board of Directors for approval all committee assignments, including designations of the chairs. Each committee is authorized to retain its own outside counsel and other advisors as it desires.

The following table sets forth the current membership of each of our Board committees as of the Record Date. Mr. Jacobs does not serve on any Board committees.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Acquisition Committee
Gena L. Ashe			C	
Louis DeJoy				✓
Michael G. Jesselson		✓	✓	
Adrian P. Kingshott	✓	C		✓
Jason D. Papastavrou*	✓	✓	✓	C
Oren G. Shaffer*	C			

C = Committee Chair ✓ = Committee Member * = Audit Committee Financial Expert

A brief summary of the committees' responsibilities follows:

Audit Committee. The Audit Committee assists our Board of Directors in fulfilling its responsibilities in a number of areas, including, without limitation, oversight of: (i) our accounting and financial reporting processes, including our systems of internal controls and disclosure controls, (ii) the integrity of our financial statements, (iii) our compliance with legal and regulatory requirements, (iv) the qualifications and independence of our outside auditors, (v) the performance of our outside auditors and internal audit function, and (vi) related party transactions. Each member of the Audit Committee satisfies all applicable independence standards, has not participated in the preparation of our financial statements at any time during the past three years, and is able to read and understand fundamental financial statements. From January 1, 2016, to March 20, 2016, the Audit Committee was comprised of the following three directors: Dr. Papastavrou (Chair), Mr. Jesselson and Mr. Kingshott. On March 20, 2016, Mr. Shaffer replaced Mr. Jesselson and was appointed the Chair of the Committee. The Audit Committee met five times during 2016 and acted once via unanimous written consent. Our Board of Directors has determined that Mr. Shaffer and Dr. Papastavrou each qualify as an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-K under the Exchange Act.

Compensation Committee. The primary responsibilities of the Compensation Committee are, among other things: (i) to oversee the administration of our compensation programs, (ii) to review the compensation of our executive management and annual bonus compensation, (iii) to review company contributions to qualified and non-qualified plans, and (iv) to prepare any report on executive compensation required by SEC rules and regulations. From January 1, 2016, to March 20, 2016, the Compensation Committee was comprised of the following three directors: Mr. G. Chris Andersen (Chair), Dr. Papastavrou and Mr. Shaffer. On March 20, 2016, Mr. Kingshott replaced Mr. Shaffer and was appointed the Chair of the Committee. On May 11, 2016, Mr. Jesselson replaced Mr. Andersen. The Compensation Committee met seven times during 2016 and acted eight times via unanimous written consent.

Nominating and Corporate Governance Committee. The primary responsibilities of the Nominating and Corporate Governance Committee are, among other things: (i) to identify individuals qualified to become Board members and recommend that our Board of Directors select such individuals to be presented for stockholder consideration at the annual meeting or to be appointed by the Board of Directors to fill a vacancy, (ii) to make recommendations to our Board of Directors concerning committee appointments, (iii) to develop, recommend to our Board of Directors and annually review the Guidelines and oversee corporate governance matters, and (iv) to oversee an annual evaluation of our Board of Directors and committees. From January 1, 2016, to March 20, 2016, the Nominating and Corporate Governance Committee was comprised of the following three directors: Mr. Jesselson (Chair), Mr. Kingshott and Mr. Martell. On March 20, 2016, Ms. Ashe replaced Mr. Kingshott and was appointed the Chair of the Committee, and Dr. Papastavrou replaced Mr. Martell. The Nominating and Corporate Governance Committee met once during 2016.

Acquisition Committee. The Acquisition Committee is responsible for reviewing and approving acquisition, divestiture and related transactions proposed by our management in which the total consideration to be paid or received by us, for any particular transaction, does not exceed the limits that may be established by our Board of Directors from time to time. From January 1, 2016, to March 20, 2016, the Acquisition Committee was comprised of the following three directors: Mr. Kingshott (Chair), Mr. Jesselson and Dr. Papastavrou. On March 20, 2016, Dr. Papastavrou was appointed the Chair of the Committee and Mr. DeJoy replaced Mr. Jesselson. The Acquisition Committee did not meet during 2016.

Director Compensation

The following table sets forth information concerning the compensation of each person who served as a non-employee director of our company during 2016.

2016 Director Compensation Table(1)

Name	Fees Earned or Paid in Cash ($)	Stock Awards(2) ($)	Option Awards(2) ($)	Total ($)
G. Chris Andersen(3)	$20,743	$172,081	—	$192,824
Gena L. Ashe(4)	$44,863	$140,716	—	$185,579
Louis DeJoy(5)	$50,000	$172,081	—	$222,081
Michael G. Jesselson(6)	$63,411	$172,081	—	$235,492
Adrian P. Kingshott(7)	$61,401	$172,081	—	$233,482
James J. Martell(8)	$17,995	$172,081	—	$190,076
Jason D. Papastavrou(9)	$58,599	$172,081	—	$230,680
Oren G. Shaffer(9)	$59,753	$172,081	—	$231,834

(1) Compensation information for Mr. Jacobs, who is a named executive officer of our company, is disclosed in this proxy statement under the heading "Executive Compensation—Compensation Tables." Mr. Jacobs did not receive additional compensation for his service as a director.

(2) The amounts reflected in this column represent the grant date fair value of the awards made in 2016, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification 718 "Compensation—Stock Compensation" ("ASC 718"). For further discussion of the assumptions used in the calculation of the grant date fair value, please see "Notes to Consolidated Financial Statements—Note 12. Stock-Based Compensation" of our company's Annual Report on Form 10-K for the year ended December 31, 2016. The values reported in this column represent 6,501 restricted stock units ("RSUs") granted to each of Messrs. Andersen, DeJoy, Jesselson, Kingshott, Martell and Shaffer and Dr. Papastavrou on January 4, 2016, for service as a director in 2016, which vested on January 4, 2017. Each current director serving on January 3, 2017, also received a grant of 3,970 RSUs on such date for service as a director in 2017, which grants are not reflected in the table above.

(3) Mr. Andersen retired from the Board on May 11, 2016. As of December 31, 2016, Mr. Andersen held 24,000 stock options and 6,501 RSUs. On May 11, 2016, the company entered into a consulting agreement with Mr. Andersen for a one year term. Pursuant to the consulting agreement, Mr. Andersen will receive (i) cash compensation of $1, (ii) vested stock options exercisable into 24,000 shares will continue to be exercisable during the one year term of the consulting agreement and until the earlier of the tenth anniversary of the grant date and one year after the expiration of the one year term of the consulting agreement, and (ii) 6,501 restricted stock units will vest on January 4, 2017 if services are continued under the consulting agreement.

(4) Ms. Ashe joined the Board on March 20, 2016.

(5) As of December 31, 2016, Mr. DeJoy held 6,501 RSUs. Mr. DeJoy beneficially owns a total of 1,125,448 shares of our common stock as disclosed in this proxy statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

(6) As of December 31, 2016, Mr. Jesselson held 24,000 stock options and 6,501 RSUs. Mr. Jesselson beneficially owns a total of 341,723 shares of our common stock as disclosed in this proxy statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

(7) As of December 31, 2016, Mr. Kingshott held 24,000 stock options and 10,758 RSUs. Mr. Kingshott beneficially owns a total of 127,972 shares of our common stock as disclosed in this proxy statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

(8) Mr. Martell retired from the Board on May 11, 2016. As of December 31, 2016, Mr. Martell held 49,000 stock options and 6,501 RSUs. On May 11, 2016, the company entered into a consulting agreement with Mr. Martell for a two year term. Pursuant to the consulting agreement, Mr. Martell will receive (i) $6,250 per month, (ii) vested stock options exercisable into 25,000 shares of common stock will continue to be exercisable during the two year term of the consulting agreement and until the earlier of the tenth anniversary of the grant date and thirty days after the expiration of the two year term of the consulting agreement, (iii) vested stock options exercisable into 24,000 shares of common stock will continue to be exercisable during the two year term and until the earlier of the tenth anniversary of the grant date and one year after the expiration of the two year term of the consulting agreement, and (iv) 6,501 restricted stock units will vest on January 4, 2017 if services are continued under the consulting agreement.

(9) As of December 31, 2016, Dr. Papastavrou and Mr. Shaffer each held 24,000 stock options and 15,758 RSUs. Dr. Papastavrou beneficially owns a total of 236,847 shares of our common stock and Mr. Shaffer beneficially owns a total of 60,758 shares of our common stock as disclosed in this proxy statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

The compensation of our directors is subject to the approval of our Board of Directors, which is based, in part, on the review and recommendation of the Compensation Committee. Directors who are employees of our company do not receive additional compensation for service as members of either our Board of Directors or its committees. In December 2015, in consultation with Semler Brossy and upon the recommendation of our Compensation Committee, our Board of Directors reviewed our outside director compensation program and decided that no changes were necessary for 2016.

During 2016, our non-employee directors received an annual cash retainer of $50,000, payable quarterly in arrears, and an annual RSU grant with a target grant date value of $175,000. The RSUs were granted on the first business day of the calendar year and vested on the first anniversary of the grant date. The number of RSUs granted to each outside director was determined by dividing $175,000 by the average of the closing prices of the company's common stock on the ten trading days immediately preceding the grant date. Unvested stock options and RSUs will be forfeited upon termination of service for any reason. Also, during 2016, under our outside director compensation program, the chairpersons of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Acquisition Committee each received an additional annual cash retainer of $12,500, $12,500, $7,500 and $7,500, respectively, payable quarterly in arrears. No other fees were paid to our directors for their attendance at or participation in meetings of our Board or its committees. We also reimbursed our directors for expenses incurred in the performance of their duties, including reimbursement for air travel and hotel expenses.

In 2016, our Board adopted stock ownership guidelines and stock retention requirements that apply to our non-employee directors and executive officers. Non-employee directors are subject to a stock ownership guideline of six (6) times the annual cash retainer. To determine compliance with these guidelines, generally, common shares held directly or indirectly, and unvested restricted stock units subject solely to time-based vesting, count towards meeting the stock ownership guidelines. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions, are not counted towards meeting the stock ownership guidelines. Until the guidelines are met, 70% of the net shares (after tax withholding) received upon vesting of equity-based awards are required to be retained by the director. As of the Record Date, each of our non-employee directors other than Ms. Ashe, who joined the Board in March 2016, was in compliance with our stock ownership guidelines.

On March 14, 2017, the Board of Directors, acting upon the recommendation of the Compensation Committee and in consultation with its independent compensation consultant, Semler Brossy, approved and adopted a revised non-employee director annual compensation program that will apply in calendar year 2017 and subsequent years. Effective January 1, 2017, our non-employee directors will receive an annual cash retainer of $75,000, payable quarterly in arrears and time-based restricted stock units ("Time-Based RSUs") worth $175,000. The annual grant of such Time-Based RSUs will be made on the first business day of each year (the "RSU Grant Date") and the number of such units will be determined by dividing $175,000 by the average of the closing prices of the company's common stock on the ten trading days immediately preceding the RSU Grant Date. The lead independent director will also receive a $25,000 annual cash retainer, payable quarterly in arrears. Under the revised non-employee director annual compensation program, the chairpersons of our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Acquisition Committee will each receive an additional cash retainer of $25,000, $15,000, $15,000 and $15,000, respectively, payable quarterly in arrears.

Under the revised non-employee director annual compensation program, Mr. Jesselson received a one-time cash retainer for his service as lead independent director in 2016 in an amount equal to the pro rata portion of an annualized retainer of $15,000, calculated from the date of his appointment on March 20, 2016. Ms. Ashe also received a one-time grant of Time-Based RSUs for her service as a director in 2016 in an amount equal to the pro rata portion of an annual grant of $175,000, calculated from the date of her appointment on March 20, 2016 and determined by dividing the pro rata portion of $175,000 by the average of the closing prices of the company's common stock on the ten trading days immediately preceding the One-Time Grant Date. The vesting date of Ms. Ashe's one-time grant will be January 1, 2018.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee has been an officer or employee of our company. During our last completed fiscal year, none of our executive officers served as a member of the compensation committee of any entity that has one or more executive officers serving on our Compensation Committee.

Corporate Governance Guidelines and Codes of Ethics

Our Board of Directors is committed to sound corporate governance principles and practices. Our Board adopted the Guidelines on January 16, 2012, and most recently adopted amendments to the Guidelines in March 2016, to, among other matters (i) provide for a robust lead independent director position as described further in "Role of the Board and Board Leadership Structure" on page 15, and (ii) reflect the Board's commitment, when searching for new directors, to actively seek out highly qualified women and individuals from minority groups to include in the pool from which Board nominees are chosen. Our Board continues to seek out highly qualified board candidates who bring relevant expertise and reflect the company's growing scale and diversity.

The Guidelines serve as a framework within which our Board of Directors conducts its operations. Among other things, the Guidelines include criteria for determining the qualifications and independence of the members of our Board, requirements for the standing committees of our Board, responsibilities for members of our Board, and the annual evaluation of the effectiveness of our Board and its committees. The Nominating and Corporate Governance Committee is responsible for reviewing the Guidelines annually, or more frequently as appropriate, and recommending to our Board appropriate changes in light of applicable laws and regulations, the governance standards identified by leading governance authorities, and our company's evolving needs.

We have a Code of Business Ethics that applies to our directors and executive officers. This code is designed to deter wrongdoing, to promote the honest and ethical conduct of all employees and to promote compliance with applicable governmental laws, rules and regulations, as well as to provide clear channels for reporting concerns. The Code of Business Ethics constitutes a "code of ethics" as defined in Item 406(b) of Regulation S-K. We intend to satisfy the disclosure requirements under applicable SEC rules relating to amendments to the Code of Business Ethics or waivers from any provision thereof applicable to our principal executive officer, our principal financial officer and principal accounting officer by posting such information on our website pursuant to SEC rules.

The Guidelines and our Code of Business Ethics are available on our website at www.xpo.com. In addition, you may obtain a printed copy of these documents, without charge, by sending a request to: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

Exclusive Forum Bylaw Amendment

In March 2017, our Board of Directors approved an amendment of our bylaws in order to provide that certain types of stockholder litigation be litigated exclusively in the Chancery of Court of the State of Delaware, which is our state of incorporation. In adopting the amendment and determining that doing so is in the best interests of our company and our stockholders, our Board considered various factors, including, among others: prevailing market practice and perspectives on such provisions; the importance to our company and our stockholders of reducing litigation costs and preventing corporate resources from being unnecessarily diverted to address duplicative, costly and wasteful multi-forum litigation; the value of facilitating consistency and predictability in litigation outcomes for the benefit of our company and our stockholders; that our company is incorporated under the laws of the state of Delaware; that adopting such an exclusive forum provision covering specified claims does not materially change the substantive legal claims available to stockholders; Section 115 of the Delaware General Corporation Law and case law developments upholding the authority of the board of directors to adopt such a provision and confirming its validity and enforceability; and case law developments outside of Delaware enforcing such provisions.

Director Independence

Under the Guidelines, our Board of Directors is responsible for making independence determinations annually with the assistance of the Nominating and Corporate Governance Committee. Such independence determinations are made by reference to the independence standard under the Guidelines and the definition of "independent director" under Section 303A.02 of the NYSE Listed Company Manual. Our Board of Directors has affirmatively determined that each person who served as a director during any part of 2016, except Mr. Jacobs, our Chairman of the Board and Chief Executive Officer, and Mr. DeJoy, satisfies the independence standards under the Guidelines and the NYSE Listed Company Manual.

In addition to the independence standards provided in the Guidelines, our Board of Directors has determined that each director who serves on our Audit Committee satisfies standards established by the SEC providing that, in order to qualify as "independent" for the purposes of membership on that committee, members of audit committees may not (1) accept directly or indirectly any consulting, advisory or other compensatory fee from our company other than their director compensation, or (2) be an affiliated person of our company or any of its subsidiaries. Our Board of Directors has also determined that each member of the Compensation Committee satisfies the NYSE standards for independence of Compensation Committee members, which became effective on July 1, 2013. Additionally, our Board of Directors has determined that each member of the Nominating and Corporate Governance Committee satisfies the NYSE standards for independence. In making the independence determinations for each director, our Board of Directors and the Nominating and Corporate Governance Committee analyzed certain relationships of the directors that were not required to be disclosed pursuant to Item 404(a) of Regulation S-K. For Ms. Ashe, those relationships included ordinary course commercial transactions between our company and an entity for which Ms. Ashe was an executive prior to becoming a director of the Company. For Mr. Jesselson, those relationships included ordinary course commercial transactions between our company and an entity for which Mr. Jesselson is the president. For Dr. Papastavrou, those relationships included ordinary course commercial transactions between our company and an entity for which Dr. Papastavrou is a director. For Mr. Shaffer, those relationships included ordinary course commercial transactions between our company and an entity for which Mr. Shaffer is a director.

Director Selection Process

The Nominating and Corporate Governance Committee is responsible for recommending to our Board of Directors all nominees for election to the Board, including nominees for re-election to the Board, in each case after consultation with the Chairman of the Board and in accordance with our company's contractual obligations. Pursuant to the Investment Agreement, JPE has had and may in the future have the contractual right based on its securities ownership, as described above under "Directors," to designate for nomination by our Board of Directors a certain percentage of the members of our Board of Directors. Subject to the foregoing, in considering new nominees for election to our Board, the Nominating and Corporate Governance Committee considers, among other things, breadth of experience, financial expertise, wisdom, integrity, an ability to make independent analytical inquiries, an understanding of our company's business environment, knowledge and experience in such areas as technology and marketing, and other disciplines relevant to our company's businesses, the nominee's ownership interest in our company, and a willingness and ability to devote adequate time to Board duties, all in the context of the needs of the Board at that point in time and with the objective of ensuring diversity in the background, experience, and viewpoints of Board members. When searching for new directors, our Board endeavors to actively seek out highly qualified women and individuals from minority groups to include in the pool from which Board nominees are chosen. Our Board aims to create a team of directors with diverse experiences and backgrounds to provide our company with thoughtful and engaged board oversight.

Subject to the contractual rights granted to JPE pursuant to the Investment Agreement, the Nominating and Corporate Governance Committee may identify potential nominees for election to our Board of Directors from a variety of sources, including recommendations from current directors or management, recommendations from our stockholders or any other source the committee deems appropriate.

Our Board of Directors will consider nominees submitted by our stockholders subject to the same factors that are brought to bear when it considers nominees referred by other sources. Our stockholders can nominate candidates for election as directors by following the procedures set forth in our bylaws, which are summarized below. We did not receive any director nominees from our stockholders for the 2017 annual meeting.

Our bylaws require that a stockholder who wishes to nominate an individual for election as a director at our annual meeting must give us advance written notice. The notice must be delivered to or mailed and received by the Secretary of our company not less than 90 days, and not more than 180 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. As more specifically provided in our bylaws, any nomination must include: (i) the nominator's name and address and the number of shares of each class of our capital stock that the nominator owns, (ii) the name and address of any person with whom the nominator is acting in concert and the number of shares of each class of our capital stock that any such person owns, (iii) the information with respect to each such proposed director nominee that would be required to be provided in a proxy statement prepared in accordance with applicable SEC rules, and (iv) the consent of the proposed candidate to serve as a member of our Board.

Any stockholder who wishes to nominate a potential director candidate must follow the specific requirements set forth in our bylaws, a copy of which may be obtained by sending a request to: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

Human Capital Management

Our talent management efforts go beyond the director and management level. Our business model relies on our strong customer service culture, which is deeply interconnected with the talent and satisfaction levels of all our employees. As we strive to grow our business, we are focused on maintaining XPO's great work environment. Our efforts in human capital management focus on enhancing the robust training of our work force, improving management capabilities and seeking to harmonize best practices across our global operations. We tailor the development and management of each operating location to the specific type of operation and labor force. We also conduct regular surveys multiple times each year, including local assessments of the work force at each site.

Our recent appointment of Meghan Henson to the position of Chief Human Resources Officer reflects the emphasis on human capital management embedded in the culture of XPO. Ms. Henson leads the company's global human resources organization and brings a renewed focus for the company on human capital management. Our management team and Board of Directors work together in a transparent manner, allowing for open communication, including with respect to human capital-related matters. Our directors have access to all information about our human capital management operations and plans, and our Chief Human Resources Officer is invited to attend and speak at the meetings of our Board of Directors when appropriate, updating the Board on issues related to talent and methods used to evaluate the working atmosphere at XPO. Our directors also have opportunities to attend and participate in employee town halls, which our CEO runs throughout the year at varying operating sites, as well as executive leadership meetings with our mid- and senior-level operating executives. We aim to integrate our human resources functions with our operational objectives.

Stockholder Communication with the Board

Stockholders and parties interested in communicating with our Board of Directors, any Board committee, any individual director, including our lead independent director, or any group of directors (such as our independent directors) should send written correspondence to: Board of Directors c/o Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831. Please note that we will not forward communications that are spam, junk mail and mass mailings, resumes and other forms of job inquiries, surveys, business solicitations or advertisements.

Stockholder Proposals for Next Year's Annual Meeting

Stockholder proposals intended to be presented at our 2018 annual meeting of stockholders must be received by our Secretary not later than December 18, 2017, to be considered for inclusion in our proxy materials, pursuant to Rule 14a-8 under the Exchange Act.

As more specifically provided in our bylaws, no business may be brought before an annual meeting of our stockholders unless it is specified in the notice of the annual meeting or is otherwise brought before the annual meeting by or at the direction of our Board of Directors or by a stockholder entitled to vote who has delivered proper notice to us not less than 90 days, and not more than 180 days, prior to the earlier of the date of the annual meeting and the first anniversary of the preceding year's annual meeting. Accordingly, assuming that our 2018 annual meeting of stockholders is held on or after May 10, 2018, any stockholder proposal to be considered at the 2018 annual meeting, including nominations of persons for election to our Board of Directors, must be properly submitted to us not earlier than November 11, 2017, nor later than February 9, 2018.

Detailed information for submitting stockholder proposals or nominations of director candidates will be provided upon written request to: Secretary, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Under its written charter, the Audit Committee of our Board of Directors is responsible for reviewing and approving or ratifying any transaction between our company and a related person (as defined in Item 404 of Regulation S-K) that is required to be disclosed under the rules and regulations of the SEC. Our management is responsible for bringing any such transaction to the attention of the Audit Committee. In approving or rejecting any such transaction, the Audit Committee considers the relevant facts and circumstances, including the material terms of the transaction, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence.

Since January 1, 2016, we have not been a participant in any transaction or series of similar transactions in which the amount exceeded or will exceed $120,000 and in which any current director, executive officer, holder of more than five percent of our capital stock, or any member of the immediate family of the foregoing, had or will have a material interest, except for the transactions described below or as previously disclosed in this proxy statement.

During the year ended December 31, 2016, the company provided certain air charter schedule recovery services to Ameriflight, LLC ("Ameriflight"), a regional air cargo carrier. James J. Martell, a member of our Board of Directors until May 11, 2016, owns and serves as the executive chairman of Ameriflight. The company provides its services to Ameriflight on a transactional basis without a written contract. The company received payments from Ameriflight or its affiliates in an amount of approximately $974,000 for the year ended December 31, 2016. Pursuant to the company's policies and procedures described above, the Audit Committee reviewed and ratified the transactions between XPO Air Charter and Ameriflight, concluding that the transactions were in the best interests of the company and our stockholders and did not impair Mr. Martell's independence as a director.

During the year ended December 31, 2016, the company leased office space from two entities partially owned and controlled by Louis DeJoy, a member of our Board of Directors. In September 2014, in conjunction with the company's acquisition of New Breed Holding Company, XPO Logistics, through certain of our subsidiaries, entered into four commercial lease agreements covering a total of approximately 142,991 square feet of office space located in High Point, N.C., with the entities affiliated with Mr. DeJoy. The non-cancellable lease agreements expire at various dates in 2019. Each lease agreement provides the company, as tenant, with two five-year option periods to extend the lease term. The company made rent payments associated with these lease agreements in an aggregate amount of $2.0 million for the year ended December 31, 2016. In addition, the company paid operating expenses in connection with these leased properties of $0.3 million for the year ended December 31, 2016.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the beneficial ownership of our voting securities as of the Record Date by: (i) each person who is known by us, based solely on a review of public filings, to be the beneficial owner of more than 5% of any class of our outstanding voting securities, (ii) each director, (iii) each named executive officer, and (iv) all executive officers and directors as a group. None of the foregoing persons beneficially owned any shares of equity securities of our subsidiaries as of the Record Date.

Under applicable SEC rules, a person is deemed to be the "beneficial owner" of a voting security if such person has (or shares) either investment power or voting power over such security or has (or shares) the right to acquire such security within 60 days by any of a number of means, including upon the exercise of options or warrants or the conversion of convertible securities. A beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by the beneficial owner, but not those held by any other person, and which are exercisable or convertible within 60 days, have been exercised or converted.

Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all voting securities shown as being owned by them. Unless otherwise indicated, the address of each beneficial owner in the table below is care of XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding[1]	Shares of Series A Preferred Stock Beneficially Owned[2]	Percentage of Series A Preferred Stock Outstanding
Beneficial Ownership of 5% or more				
Orbis Investment Management Limited[3] Orbis House, 25 Front Street Hamilton Bermuda HM11	20,815,297	18.7%	—	—
Jacobs Private Equity, LLC	19,285,714[4]	14.7%	67,500	94.4%
Coral Blue Investment Pte. Ltd[5] 168 Robinson Road #37-01, Capital Tower, Singapore 068912	8,153,946	7.3%	—	—
The Vanguard Group[6] 100 Vanguard Blvd. Malvern, PA 19355	7,825,426	7.0%	—	—
Spruce House Investment Management LLC[7] 435 Hudson Street, 8th Floor New York, NY 10014	7,797,055	7.0%	—	—
BlackRock, Inc.[8] 55 East 52nd Street New York, NY 10055	5,902,754	5.3%	—	—
Directors:				
Gena L. Ashe	—	—	—	—
Louis DeJoy	1,125,448[9]	1.0%	—	—
Michael G. Jesselson	341,723[10]	*	725[11]	1.0%
Adrian P. Kingshott	127,972[12]	*	300	*
Jason D. Papastavrou	236,847[13]	*	650[14]	*
Oren G. Shaffer	60,758[15]	*	—	—

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percentage of Common Stock Outstanding(1)	Shares of Series A Preferred Stock Beneficially Owned(2)	Percentage of Series A Preferred Stock Outstanding
Named Executive Officers:				
Bradley S. Jacobs+	19,662,175(16)	15.0%	67,500	94.4%
Troy A. Cooper	128,085(17)	*	—	—
John J. Hardig	130,749(18)	*	—	—
Gordon E. Devens	179,979(19)	*	—	—
Scott B. Malat	127,981(20)	*	—	—
Current Executive Officers and Directors as a Group (12 People)	22,320,801(21)	16.9%	69,175	96.7%

* Less than 1%

\+ Director and Executive Officer

(1) For purposes of this column, the number of shares of the class outstanding reflects the sum of: (i) 111,551,028 shares of our common stock that were outstanding as of the Record Date, (ii) the number of shares of our common stock into which the outstanding shares of our preferred stock held by the relevant person, if any, were convertible on the Record Date, (iii) the number of shares of our common stock, if any, which the relevant person could acquire on exercise of options or warrants within 60 days of the Record Date, and (iv) the number of restricted stock units ("RSUs"), if any, held by the relevant person that are or will become vested within 60 days of the Record Date.

(2) Each share of our Series A Preferred Stock that was outstanding on the Record Date has an initial liquidation preference of $1,000 per share and is convertible into approximately 143 shares of our common stock at an effective conversion price of $7.00 per share of our common stock. Our Series A Preferred Stock votes together as a single class with our common stock on an as-converted basis, except with respect to certain matters that impact the rights of holders of our Series A Preferred Stock, in which case our Series A Preferred Stock votes separately as a single class.

(3) Based on Amendment No. 3 to the Schedule 13G filed on February 14, 2017 by Orbis Investment Management Limited ("OIML"), Orbis Investment Management (U.S.), LLC ("OIMUS") and Orbis Asset Management Limited ("OAML"), which reported that, as of December 31, 2016, OIML beneficially owned 20,368,113 shares, OIMUS beneficially owned 361,524 shares, and OAML beneficially owned 85,660 shares. The group has sole voting and sole dispositive power over such shares.

(4) Consists of 9,642,857 shares of our common stock issuable upon the exercise of 9,642,857 warrants at an exercise price of $7.00 per share of common stock, and 9,642,857 shares of our common stock issuable upon conversion of 67,500 shares of our Series A Preferred Stock. Mr. Jacobs has indirect beneficial ownership of the shares of our common stock and our Series A Preferred Stock beneficially owned by JPE as a result of being its Managing Member. In addition, Mr. Jacobs beneficially owns 126,461 shares of our common stock held directly following the vesting of equity incentive awards and 250,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date. See footnote 16 below.

(5) Based on Amendment No. 3 to Schedule 13G filed on February 13, 2017 by Coral Blue Investment Pte. Ltd. and GIC Private Limited, which reported that, as of December 31, 2016, Coral Blue Investment Pte. Ltd. beneficially owned 8,153,946 shares of common stock and shares voting and dispositive power over such shares of common stock with GIC Private Limited.

(6) Based on Amendment No. 1 to the Schedule 13G filed on February 10, 2017 by The Vanguard Group, which reported that, as of December 31, 2016, The Vanguard Group beneficially owned 7,825,426 shares with sole voting power over 111,942 shares, shared voting power over 10,838 shares, sole dispositive power over 7,708,046 shares and shared dispositive power over 117,380 shares.

(7) Based on Amendment No. 2 to the Schedule 13G filed on February 14, 2017, filed by Spruce House Investment Management LLC, Spruce House Capital LLC, The Spruce House Partnership LP, Zachary

Sternberg, and Benjamin Stein, which reported that, as of December 31, 2016, Spruce House Investment Management LLC beneficially owned 7,750,000 shares, Spruce House Capital LLC beneficially owned 7,750,000 shares, The Spruce House Partnership LP beneficially owned 7,750,000 shares, Zachary Sternberg beneficially owned 7,795,000 shares and Benjamin Stein beneficially owned 7,797,055 shares. Spruce House Investment Management LLC, Spruce House Capital LLC, The Spruce House Partnership LP, Zachary Sternberg and Benjamin Stein have shared voting and dispositive power over 7,750,000 shares of common stock. Zachary Sternberg has sole voting and dispositive power over 45,000 shares. Benjamin Stein has sole voting and dispositive power over 47,055 shares.

(8) Based on the Schedule 13G filed on January 30, 2017 by BlackRock, Inc., which reported that, as of December 31, 2016, BlackRock, Inc. beneficially owned 5,902,754 shares, with sole voting power over 5,686,450 shares and sole dispositive power over 5,902,754 shares.

(9) Includes: (i) 192,086 shares of our common stock beneficially owned by The Louis DeJoy Family Partnership, LLC, of which Mr. DeJoy is the managing member, and (ii) 484,340 shares of our common stock owned by the Louis DeJoy and Aldona Z. Wos Family Foundation, of which Mr. DeJoy is the president.

(10) Includes: (i) 12,000 shares of our common stock beneficially owned by the SJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (ii) 12,000 shares of our common stock beneficially owned by the RAJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (iii) 12,000 shares of our common stock beneficially owned by the JJJ Irrevocable Trust, of which Mr. Jesselson is a trustee, (iv) 10,000 shares of our common stock beneficially owned by the Michael G. Jesselson and Linda Jesselson 6/30/93 Trust, of which Mr. Jesselson is a trustee, (v) 10,000 shares of our common stock owned by Mr. Jesselson's spouse, (vi) 103,572 shares of our common stock issuable upon the exercise of 103,572 warrants at an exercise price of $7.00 per share of our common stock, which warrants are beneficially owned by the Michael G. Jesselson 12/18/80 Trust and the Michael G. Jesselson 4/8/71 Trust, of which trusts Mr. Jesselson is the beneficiary, (vii) 21,322 shares of our common stock issuable upon the exercise of 21,322 warrants at an exercise price of $7.00 per share of our common stock, which warrants are beneficially owned by the Michael G. Jesselson and Linda Jesselson, Trustees UID 6/30/93 FBO Maya Ariel Ruth Jesselson, of which Mr. Jesselson is the beneficiary, (viii) 103,570 shares of our common stock issuable upon conversion of 725 shares of our Series A Preferred Stock, which shares of our Series A Preferred Stock are beneficially owned by the Michael G. Jesselson 12/18/80 Trust and the Michael G. Jesselson 4/8/71 Trust, of which trusts Mr. Jesselson is the beneficiary, and (ix) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.

(11) See clause (viii) of footnote (10).

(12) Includes: (i) 42,857 shares of our common stock issuable upon the exercise of 42,857 warrants at an exercise price of $7.00 per share of our common stock, (ii) 42,857 shares of our common stock issuable upon conversion of 300 shares of our Series A Preferred Stock, (iii) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable on within 60 days of the Record Date, and (iv) 10,758 RSUs that are or will become vested within 60 days of the Record Date.

(13) Includes: (i) 1,375 shares of our common stock beneficially owned by the Brett A. Athans Declaration of Trust, of which Dr. Papastavrou is the trustee, (ii) 92,857 shares of our common stock issuable upon the exercise of 92,857 warrants at an exercise price of $7.00 per share of our common stock, which warrants are beneficially owned by Springer Wealth Management LLC, of which Dr. Papastavrou is the owner of 100% of the equity securities, (iii) 92,857 shares of our common stock issuable upon conversion of 650 shares of our Series A Preferred Stock, which shares of Series A Preferred Stock are beneficially owned by Springer Wealth Management LLC, of which Dr. Papastavrou is the owner of 100% of the equity securities, (iv) 24,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date, and (v) 15,758 RSUs that are or will become vested within 60 days of the Record Date.

(14) See clause (iii) of footnote (13).

(15) Includes: (i) 8,500 shares of our common stock issuable upon the exercise of 8,500 warrants at an exercise price of $7.00 per share of common stock, (ii) 24,000 shares of our common stock issuable upon the

exercise of options that are or will become exercisable within 60 days of the Record Date, and (iii) 15,758 RSUs that are or will become vested within 60 days of the Record Date.

(16) Mr. Jacobs has indirect beneficial ownership of the shares of our common stock and our Series A Preferred Stock beneficially owned by JPE as a result of being its Managing Member. See footnote (4). Also includes 126,461 shares of our common stock held directly by Mr. Jacobs following the vesting of equity incentive awards and 250,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.

(17) Includes: (i) 10,000 shares of common stock issuable upon the exercise of 10,000 warrants at an exercise price of $7.00 per share of common stock, and (ii) 25,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.

(18) Includes 50,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.

(19) Mr. Devens resigned as Chief Legal Officer of the Company effective February 15, 2017. Includes: (i) 20,000 shares of our common stock issuable upon the exercise of 20,000 warrants at an exercise price of $7.00 per share of common stock, and (ii) 125,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.

(20) Includes: (i) 12,750 shares of our common stock issuable upon the exercise of 12,750 warrants at an exercise price of $7.00 per share of common stock, and (ii) 48,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date.

(21) Includes: (i) 9,954,715 shares of our common stock issuable upon the exercise of 9,954,715 warrants at an exercise price of $7.00 per share of our common stock, (ii) 9,882,142 shares of our common stock issuable upon conversion of 69,175 shares of our preferred stock, (iii) 729,000 shares of our common stock issuable upon the exercise of options that are or will become exercisable within 60 days of the Record Date, and (iv) 42,274 RSUs that are or will become vested within 60 days of the Record Date.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes XPO Logistics' executive compensation program for 2016. The Compensation Committee of our Board (referred to as the "Committee" in this section) oversees our executive compensation program and practices. In this section, we explain how and why the Committee made its 2016 compensation decisions for the following named executive officers, or NEOs, including Mr. Gordon E. Devens, our former Chief Legal Officer, who resigned from the company effective February 15, 2017:

NEO	Title
Bradley S. Jacobs	Chairman and Chief Executive Officer
Troy A. Cooper	Chief Operating Officer
John J. Hardig	Chief Financial Officer
Gordon E. Devens	Former Chief Legal Officer
Scott B. Malat	Chief Strategy Officer

Executive Summary

2016 Highlights

Throughout 2016, our NEOs executed our strategy for high growth and high returns, successfully leading the integration of our two largest acquisitions and establishing XPO Logistics as one of the ten largest logistics companies in the world. During this period, our operations became a highly integrated network of people, technology and physical assets, and we helped more than 50,000 customers manage their goods more efficiently throughout their supply chains. As of December 31, 2016, our network encompassed over 87,000 employees and approximately 1,425 locations in 34 countries, primarily in North America and Europe.

For the full year 2016, our company reported net income attributable to common shareholders of $63.1 million, compared with a net loss of $245.9 million for 2015, and achieved an absolute total shareholder return ("TSR") of 58%, well above the TSRs of the S&P 500 (12%) and the S&P Transportation Select Industry Index (27%) and created approximately $2.14 billion of shareholder value in 2016 (based on the price per share of our common stock as of December 31, 2015 of $27.25 and December 31, 2016 of $43.16).

A Springboard for Value Creation

Based on the significant progress made by our NEOs in 2016, we are in a strong position to continue to execute our strategy in 2017 and beyond. Our focus remains on further enhancing customer service while realizing the numerous profit improvement opportunities embedded in our business. In 2017, we will get the full 12-month benefit of numerous efficiencies we implemented throughout 2016 in procurement, real estate, back office operations and workplace technologies. We have more savings to realize in each of these areas, along with cross-dock and warehouse automation, labor productivity and the global adoption of best practices. In addition, we are marketing our services with a high caliber sales organization that draws on our total supply chain offering to help customers operate more productively.

We have met or exceeded every financial target that our company has issued from 2012 through 2016. Our full year targets forecast adjusted EBITDA of at least $1.350 billion in 2017 and $1.575 billion in 2018. Our 2017-2018 cumulative free cash flow target is approximately $900 million, including at least $350 million of free cash flow in 2017.

Our Compensation Philosophy

Our executive compensation philosophy is to align the interests of our executive team with the interests of our stockholders and to ensure that the total compensation paid to our executive officers is reasonable and competitive.

Key Objectives of Our Executive Compensation Program		
Align executive compensation with long-term stockholder value	Strongly correlate pay and performance	Attract, retain and motivate high-performing executive talent
We use varied compensation elements to align the financial interests and objectives of our NEOs with those of our stockholders and to sustain our unified focus on the execution of our strategy, which we believe will create long-term stockholder value.	Our executive compensation program is designed to strongly correlate the compensation received by our NEOs with their performance and the performance of XPO Logistics.	We operate in a highly competitive market for executive talent; as such, we believe it is essential to attract, retain and motivate a high-performing executive team with market competitive pay opportunities that deliver the majority of pay in at-risk elements.

How We Meet These Objectives

Our executive compensation program is heavily weighted towards variable compensation, including long-term incentives, such as cash settled performance-based restricted stock units (“PRSU”) and annual cash incentives.

Substantially all of the annual long-term awards granted to our NEOs are subject to meaningful share price and/or earnings-related performance goals with service-based vesting periods.

Our NEOs are subject to significant stock ownership and retention requirements.

Our NEOs are subject to lock-up restrictions that generally prohibit the sale of any shares of our common stock (on an after-tax basis) delivered pursuant to equity awards granted by our company – in 2016, these lock-up restrictions were extended for an additional two years until September 2, 2018.

Our NEOs are subject to clawback restrictions with respect to equity and cash incentive compensation.

Our NEOs are subject to comprehensive non-competition and other restrictive covenants.

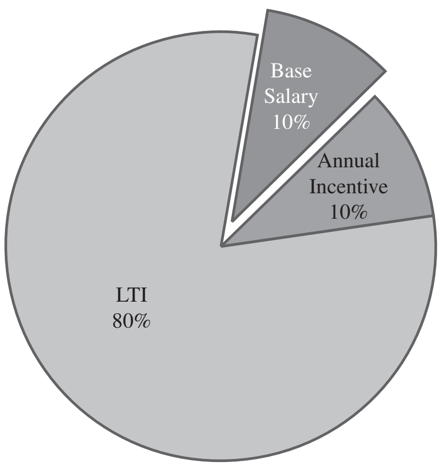
Executive Compensation Structure

Our executive compensation program consists of three primary elements: annual base salary, annual cash incentive bonuses and long-term incentive awards. Each of these elements is described in more detail below:

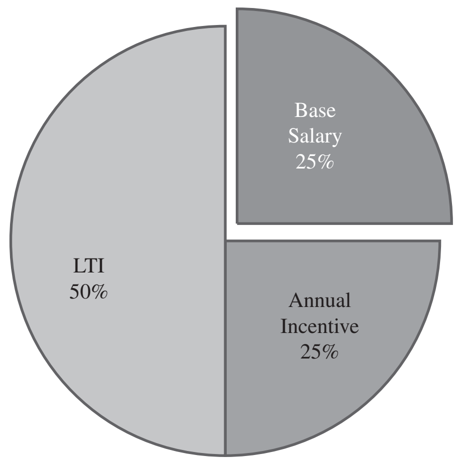
Element	Objective	Mechanics
Base Salary	Provide a competitive fixed component of compensation that enables XPO Logistics to attract and retain top talent.	Reviewed against the executive's experience and responsibilities, and for competitiveness against XPO Logistics' peer group.
Annual Incentives	Offer a variable annual cash compensation opportunity based upon both financial and strategic objectives.	Based on individual and company performance; a portion may be subject to repayment in certain termination scenarios.
Long-term Incentives	Align the interests of our executives with those of our stockholders through the use of long-term incentive awards that reward executives for increases in our stock price over time. These awards are also meant to focus executives on financial metrics that are complementary to the financial metrics for our annual cash incentive program.	The NEOs were granted cash-settled performance-based restricted stock units ("PRSUs") in 2016 with performance goals based on annual adjusted cash flow per share for the four-year period from 2016 to 2019. PRSUs will vest annually if the following adjusted cash flow per share goals are achieved: \$2.93 in 2016, \$3.96 in 2017, \$5.38 in 2018, and \$6.39 in 2019.
Other Governance-related Policies	To meet the key objectives of our executive compensation programs and to mitigate overall compensation risk, we have adopted a clawback policy, equity lock-up restrictions, and equity ownership guidelines.	See pages 39—40 for additional information.

Because the Committee feels strongly that executive compensation should be tightly linked to both company and individual performance, the executive compensation for our NEOs is heavily weighted towards equity-based and variable cash incentive awards. At target, 90% of our CEO's 2016 total direct compensation ("TDC") is incentive-based, and 80% is based on the achievement of long-term performance goals. For our other NEOs, on average, 75% of their 2016 target total direct compensation is incentive-based and 50% is based on achievement of long-term performance goals. The Committee believes that this mix is appropriate to drive execution of our long-term strategy and to further align the interests of our NEOs with those of our stockholders. Details of each component of compensation are outlined further in the 2016 Executive Compensation Outcomes section below.

CEO
2016 Target TDC Mix
(LTI Reflects Annualized Cash PRSU Value)



Other NEOs
2016 Target TDC Mix
(LTI Reflects Annualized Cash PRSU Value)



Compensation Governance Framework

To meet the key objectives of our executive compensation program and to mitigate risk from our compensation practices and principles, the company has adopted a compensation governance framework that includes the components described below, each of which the Committee believes reinforces the company's executive compensation philosophy and objectives.

- **Clawback policy**: Our NEOs and other executive officers are required to repay overpayments of annual and long-term cash incentive compensation awards in the event of fraud or in the event of a financial restatement occurring within one year following the award payment. Additionally, in order to enhance the long-term retentive value of the 2016 annual cash incentive awards, the Committee made a significant portion of certain executives' 2016 cash incentive awards subject to repayment if a NEO's employment with our company terminates for any reason within two years immediately following the payment date, as discussed more fully below.
- **Lock-up restrictions**: Our NEOs are subject to lock-up restrictions that generally prohibit the sale of any shares of our common stock (on an after-tax basis) delivered pursuant to equity awards granted by our company—in 2016, in connection with the renewal of our NEOs' employment agreements, these lock-up restrictions were extended for an additional two years until September 2, 2018.
- **Stock ownership guidelines and stock retention requirements**: In 2016, our Board established stock ownership guidelines for our NEOs and other executive officers to further align the interests of our executives with those of our stockholders. See Page 40 for more detail.
- **No stock option repricing**: Our company's equity incentive plan does not permit either stock option repricing without stockholder approval or stock option grants with an exercise price below fair market value.

- **No tax gross-ups**: Our company does not provide tax gross-ups on any benefits or perquisites, including severance payments and other benefits received in connection with, or following, a change in control.
- **Independent compensation consultant**: The Committee retains an independent compensation consultant who performs services only for the Committee, as discussed more fully below.
- **No hedging or pledging of company stock**: Under our insider trading policy, our company's directors and executive officers, including the NEOs, are prohibited from pledging or holding company securities in a margin account without pre-clearance. In addition, such persons are prohibited from engaging in hedging transactions without pre-clearance, such as prepaid variable forwards, equity swaps, collars and exchange funds or any other transactions that are designed to or have the effect of hedging or offsetting any decrease in the market value of equity securities.

2016 Executive Compensation Outcomes

Highlights of 2016 executive compensation include:

- Annual Base Salary: To recognize continued strong company performance and align with market levels for companies of similar size, the Committee increased NEO base salaries. These base salaries had been at comparatively low levels relative to market levels and had not been increased for the preceding three years. This increase in NEO base salaries is fixed for the term of the NEOs' employment agreements.
- Annual Cash Incentive Bonuses: Our company's strong financial performance and the Committee's assessment of both company and individual performance during a transformative year for the company led to above-target annual cash bonus payouts for the NEOs.
- Long-term Incentive Program: NEOs earned the first of four tranches of the PRSU awards because our company's actual 2016 adjusted cash flow per share exceeded the goal of $2.93.

Annual Base Salary

The Committee increased annual base salaries for each of our NEOs during 2016 as part of renewing their employment agreements. These increases were made to recognize continued strong company performance and increases in executive's roles and responsibilities as well as to better align these base salaries with market levels for companies of similar size. Base salaries provide our NEOs with fixed cash compensation for service during the year, with consideration given to the scope of each NEO's responsibilities, experience and other qualifications essential to his role.

Accordingly, annual base salary rates as of December 31, 2016, were as follows:

NEOs	2016 Annual Base Salary
Bradley S. Jacobs	$625,000
Troy A. Cooper	$537,500
John J. Hardig	$515,000
Gordon E. Devens	$500,000
Scott B. Malat	$500,000

Annual Cash Incentive Bonuses

The following table sets forth the target awards established by the Committee under the 2016 annual cash incentive awards, expressed as a percentage of salary and as a dollar amount for each NEO:

NEO	Target Award % of Salary	Target Award in Dollars
Bradley S. Jacobs	100%	$625,000
Troy A. Cooper	100%	$537,500
John J. Hardig	100%	$515,000
Gordon E. Devens	100%	$500,000
Scott B. Malat	100%	$500,000

In March 2016, for each NEO, the Committee established a target annual cash incentive award for 2016 under the terms of our Amended and Restated 2011 Omnibus Incentive Compensation Plan (the "2011 Plan"). Pursuant to the terms of the awards, the Committee set a performance goal based on the previously forecasted adjusted EBITDA for 2016 at that time. In October 2016, the company completed the sale of its truckload business. This transaction strengthened the company's balance sheet and improved our long-term growth profile by deleveraging the company, reducing our annual capital expenditure requirements and increasing the return on our capital. However, as a result of the sale of the truckload business in the fourth quarter of 2016, the company reduced its forecast adjusted EBITDA for 2016 to reflect this divestment and the previously determined performance goal set under the 2011 Plan was not achieved. The Committee exercised its discretion in light of the beneficial impact of the truckload divestment as well as the company's strong overall performance to grant new cash incentive awards under the 2011 Plan in respect of 2016, the amount of which was determined as described below.

Under the terms of the awards, the Committee is responsible for determining the bonus award payable to a participant based on the achievement of individual or organizational goals, as determined by the Committee in its sole discretion. The Committee, in consultation with our CEO (except with respect to his own performance assessment), conducted a performance assessment of each NEO. The CEO's performance assessment recommendations were based on an overall subjective assessment of each officer's performance and contribution to our company's achievement of its strategic objectives. The Committee conducted a separate assessment of Mr. Jacobs' performance without his involvement.

The Committee considers company performance as well as each NEO's individual performance contributions. For 2016, the Committee determined that our company accomplished and exceeded its key financial and strategic objectives for the year, as outlined above in the "Executive Summary" section of this Compensation Discussion and Analysis section. Under the leadership and guidance of our NEOs, in 2016 we continued to integrate two significant acquisitions from 2015 and continued to optimize our existing operations.

Each of the NEOs was determined to have contributed significantly to the company's achievements during 2016. In determining 2016 cash incentive award payouts for the NEOs, the Committee's goal was to recognize and reward each NEO's performance, while also awarding cash bonus amounts that had the effect of relatively balancing total cash compensation across the group of NEOs, with consideration to each NEO's job responsibilities and position. Accordingly, differences in the award payouts to the NEOs, as compared to the target awards, do not reflect a determination by the Committee of the relative performance of any single NEO.

As a result of the above-described performance assessments, and taking into account the indicated total cash compensation payable to each NEO, the Committee approved the cash incentive award payouts below to our NEOs for 2016 other than Mr. Devens, who resigned from the company, effective February 15, 2017, prior to the award of the 2016 cash incentive bonus. Mr. Devens' 2016 bonus of $500,000 was approved by the Committee as one of the terms of Mr. Devens' separation agreement. In order to enhance the long-term retentive value of the 2016 annual cash incentive awards, the Committee made a significant portion of the 2016 cash bonuses paid to Messrs. Jacobs, Cooper and Hardig ($750,000, $537,500 and $400,000, respectively) subject to repayment if any of them leaves our company for any reason within two years immediately following the payment date other than following a Change of Control (as defined in the 2016 Plan).

NEO	2016 Annual Bonus Payout
Bradley S. Jacobs	$1,375,000
Troy A. Cooper	$1,075,000
John J. Hardig	$ 915,000
Scott B. Malat	$ 500,000

Long-Term Incentive Program

The Committee designed our 2016 long-term equity incentive awards to align the interests of our executives with those of our stockholders through the use of long-term incentive awards that reward executives for increases in our stock price over time. These awards are also meant to focus executives on financial metrics that are complementary to the performance metric of adjusted EBITDA that is applicable to our annual cash incentive program.

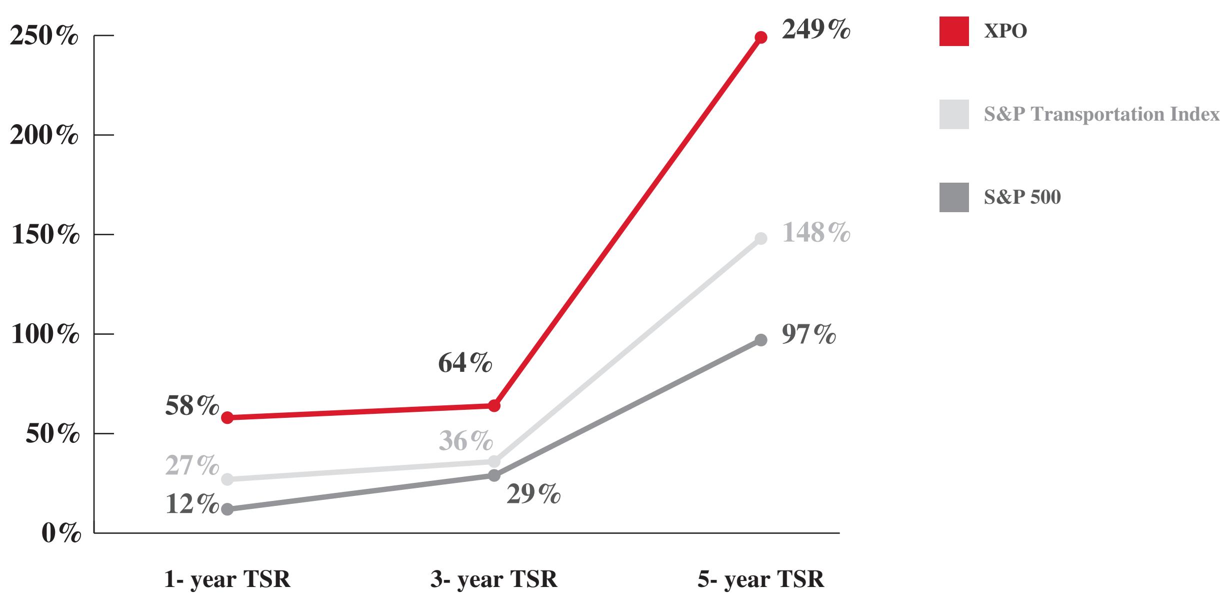
For 2016, the Committee determined that it would be advisable to make PRSU awards to our leadership team to maximize retention and incentivize a unified focus on execution of our long-term strategy. The target grant date value of the PRSU awards granted by the Committee to each of our NEOs are as follows:

NEO	2016-2019 Total Target Award in Dollars	Annualized Target Award in Dollars
Bradley S. Jacobs	$20,000,000	$5,000,000
Troy A. Cooper	$ 4,500,000	$1,125,000
John J. Hardig	$ 4,000,000	$1,000,000
Gordon E. Devens	$ 4,000,000	$1,000,000
Scott B. Malat	$ 4,000,000	$1,000,000

Key Features of the PRSU Program

- As shown above, a significant amount of the pay opportunity for our NEOs is awarded in long-term PRSU incentives that are tied to **high growth financial targets**.
- The PRSUs granted in February 2016 will vest 25% annually over four years **only** if the pre-determined performance goals for each year are achieved.
- There is **zero payout** if the established financial targets are not attained (i.e., no minimum achievement threshold upon which any portion of the award would be earned).
- There is **no upside leverage** if the target is exceeded in any given year; the maximum achievement is the target itself (100%).
- Payouts are tied directly to stock price performance, in **direct alignment with stockholder interests**. If our stock price increases from grant date to vesting date, the award will pay out at a higher amount than the original grant. Conversely, if the stock price declines in that same period, the original grant will decline in value at the same rate as the stock price.
- Awards are subject to **clawback** both during the vesting period and after payout based on the circumstances as specified by the terms of the awards.

The PRSU payout is dependent on specified adjusted cash flow per share for 2016 and the company's stock price at the time the award is settled. The exhibit below provides an illustration of XPO Logistics' total shareholder return during the most recent one, three and five calendar years as compared to the S&P 500 and S&P Transportation Index, which demonstrates the strong relative performance of the company's stock price in these periods.



Note: TSR calculations reflect the relevant trading price of our common stock and that of the relevant index as of the last trading day of the relevant calendar year in 2016, 2015, 2014, 2013, 2012 and 2011 as reported by Bloomberg Finance L.P.

Based on the equity award agreements, 25% of each PRSU award will vest annually if the following adjusted cash flow per share goals are achieved: $2.93 in 2016, $3.96 in 2017, $5.38 in 2018, and $6.39 in 2019.

“Adjusted cash flow per share” for purposes of these PRSU awards means (i) adjusted EBITDA (determined in accordance with the company’s monthly operating reports and for external reporting purposes and adjusted for the impact of stock and phantom stock compensation) less any capital expenditures and interest divided by (ii) diluted shares outstanding. The adjusted cash flow per share metric was selected consistent with the company’s philosophy to encourage appropriate business risk without incentivizing behaviors that may have a material adverse effect on the company. The targeted annual award values were determined with reference to each NEO’s contributions to our company to date, his anticipated contribution to the achievement of our strategic objectives in the future, and prior equity-based awards granted to the NEO. No particular weighting was assigned to any of these considerations. In granting the PRSUs, the Committee also determined that the structure of the award, with achievement of the final adjusted cash flow per share performance goal not possible until after the end of 2019, provided an important retentive element and increased long-term focus for our NEOs.

The first tranche of the award was earned based on the achievement of the 2016 adjusted cash flow per share performance target, as approved by the Committee on February 16, 2017. Based on XPO Logistics’ share price on the vesting date, Messers. Jacobs, Cooper, Hardig, Devens, and Malat received cash payments specified by the terms of the awards.

Result of Stockholder Advisory Vote

We conducted our annual advisory vote on executive compensation at our 2016 Annual Meeting on May 11, 2016. While this vote was not binding on our company, our Board or the Committee, we believe that it is important for our stockholders to have an opportunity to vote on this proposal on an annual basis as a means to express their views on our executive compensation philosophy, our executive compensation program and policies, and our decisions regarding executive compensation, all as disclosed in our proxy statement.

At our 2016 Annual Meeting, approximately 95% of the votes cast on the advisory vote on executive compensation were in favor of our NEO compensation program as disclosed in our 2016 proxy statement. The Committee reviewed and considered the final results of the advisory vote as it completed its annual review of the executive compensation program.

The company communicates directly and frequently with its stockholders about business strategy. In the course of such stockholder engagement, we often discuss our executive compensation and the further alignment of our executive team’s interests with the interests of our stockholders.

Process for Determining Executive Compensation

The Committee believes that its emphasis on variable annual cash incentives and long-term equity-based awards allows it to retain significant flexibility and discretion from year to year in order to strongly motivate our NEOs. Specifically, the total compensation package for each of our NEOs reflects assessments of individual responsibilities, contributions to corporate performance and overall company success in reaching strategic goals. The general framework for our compensation packages includes fixed base salaries and variable incentive compensation consisting of annual cash incentives and equity grants that emphasize pay for performance and, in the case of equity-based grants, achievement of long-term performance goals. The Committee has tended to heavily weight our NEOs’ compensation towards variable incentive compensation rather than base salary.

Role of the Compensation Committee

The Committee is responsible for approving our compensation philosophy and overseeing our executive compensation program in a manner consistent with such compensation philosophy. The Committee is tasked with setting annual and long-term performance goals for our NEOs, evaluating and approving award grants under incentive compensation and equity-based plans, and reviewing and approving all other compensation and benefits for our NEOs on an ongoing basis. The Committee acts independently but works closely with our full

Board and executive management in making many of its decisions. To assist it in discharging its responsibilities, the Committee has retained the services of Semler Brossy, as discussed further below.

Role of Management

Executive management provides input to the Committee as it establishes, reviews and evaluates executive compensation packages and policies, including with respect to the design of our executive compensation program. In particular, our CEO, Mr. Jacobs, provides recommendations as to proposed compensation actions with respect to our executive team, but not with respect to his own compensation. The Committee carefully and independently reviews the recommendations of management, without members of management present, and consults with independent advisors before making its final determinations. We believe this process ensures that our executive compensation program effectively aligns with our compensation philosophy and our stockholders' interests.

Role of Independent Compensation Consultant

The Committee directly retained Semler Brossy as its independent advisor. During 2016, Semler Brossy supported the Committee in: reviewing the reasonableness of the 2016 compensation packages and long-term incentive grants for the NEOs and our other senior officers; reviewing this Compensation Discussion and Analysis and the related tables and narratives; structuring the 2016 performance-based equity-based awards to executives; evaluating our non-employee director compensation program; assessing the risks associated with the company's overall compensation policies and practices; monitoring trends and evolving market practices in executive compensation; and providing general advice and support to the Committee and Committee Chair. Semler Brossy does not provide any other services to the Committee or the company.

As part of the annual performance evaluation of its independent compensation consultant, the Committee considered Semler Brossy's independence in light of applicable SEC rules and NYSE listing standards. After taking into account: (i) Semler Brossy's absence of relationships with management and the members of the Committee, (ii) Semler Brossy's internal policies, and (iii) other information provided to the Committee by Semler Brossy, the Committee determined that Semler Brossy's work did not raise any conflicts of interest that would prevent it from serving as an independent compensation consultant to the Committee.

Comparative Analysis

The Committee, with input from its independent compensation consultant, reviews and approves the peer group used in evaluating executive compensation to ensure that the peer group continues to reflect certain characteristics comparable to the company. These peer group characteristics include being in the transportation and logistics industries and having annual revenue of at least $1 billion. The peers comprising the 2016 peer group represent most of our publicly traded competitors and, in the Committee's view, were reasonable given the revenue scale of XPO Logistics in 2016, following our company's June 2015 acquisition of Norbert Dentressangle SA and October 2015 acquisition of Con-way Inc.

While we monitor the structure of our peers' pay programs, the Committee does not target a specific percentile positioning against the peer group. Also, the Committee does not target a specific mix between cash and equity or short-term and long-term compensation relative to the mix used by peer group companies. The peer group for 2016 consisted of the following logistics and distribution or trucking companies:

Peer Name	Ticker Symbol	2016 Annual Revenue ($ in millions)
C.H. Robinson Worldwide, Inc.	CHRW	$13,144
Expeditors International of Washington, Inc.	EXPD	$ 6,098
Hub Group, Inc.	HUBG	$ 3,572
J.B. Hunt Transport Services, Inc.	JBHT	$ 6,555
Landstar Systems, Inc.	LSTR	$ 3,168
Ryder System, Inc.	R	$ 6,787
Swift Transportation Co.	SWFT	$ 4,032
UTi Worldwide, Inc.	UTIW	$ *
YRC Worldwide, Inc.	YRCW	$ 4,698
XPO Logistics, Inc. (as reported)	XPO	
FY 2016		**$14,619**
Percent Rank		100P
FY 2015		**$ 7,623**
Percent Rank		93P

* UTi Worldwide, Inc. was acquired by DSV in January 2016.

For 2017, based on the advice of Semler Brossy, the Committee has decided to remove two companies (Hub Group Inc. and Landstar Systems, Inc.) and add five companies (CSX Corp., FedEx Corp., Norfolk Southern Corp., Union Pacific Corp. and United Parcel Service, Inc.). These actions were undertaken to ensure that the size of companies in the peer group accurately reflected XPO Logistics' significant increase in scale during 2016. With these changes, XPO Logistics is now positioned at the 72nd percentile based on reported 2016 annual revenue.

Other Compensation-Related Items

Equity Granting Policy

All equity grants to NEOs are approved by the Committee with a grant date determined at the time of the approval. The Committee does not target a specific time during the year to make equity grants, but equity grant dates are always on or after the date of Committee approval and in full compliance with applicable laws.

Benefits

Our NEOs are provided with benefits, including participation in the XPO Logistics, Inc. 401(k) Plan and insurance benefit programs that are offered to other eligible employees. Our NEOs receive minimal perquisites, as shown in the "All Other Compensation" table below.

Employment Agreements

We believe that it is in the best interests of our company to enter into multi-year employment agreements with our executive officers because the agreements promote long-term retention while still allowing the Committee to exercise discretion in designing incentive compensation programs. For further discussion of the material compensation-related terms of these agreements, please see "Employment Agreements with Named Executive Officers" on page 48 and the tables that follow this Compensation Discussion and Analysis. In addition, each employment agreement has been filed with the SEC and is available on our website and on the SEC's website.

Effective February 9, 2016, the company entered into new employment agreements with each of the NEOs. Each of these 2016 employment agreements has a term through February 9, 2020, and expires at the end of the term without automatic renewal. The 2016 employment agreements contain comprehensive restrictive covenants, a description of which is set forth under “Employment Agreements with Named Executive Officers—Restrictive Covenants” on page 51.

Clawback Provisions

The Committee is focused on mitigating risk associated with the company’s compensation program for NEOs and believes that clawback provisions are a useful tool. Each NEO’s employment agreement includes a clawback provision under which the NEO may be required, upon certain triggering events, to repay all or a portion of incentive compensation that was previously paid (including proceeds from previously-exercised and vested equity-based awards), and to forfeit unvested equity-based awards. These clawback provisions are generally triggered if: (i) the NEO has engaged in fraud or other willful misconduct that contributes materially to any significant financial restatements or material loss to our company or any of our affiliates, (ii) the NEO is terminated for Cause (as defined in the employment agreement), or (iii) the NEO breaches the restrictive covenants that are applicable under his employment agreement. To the extent that the rules adopted by the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act are broader than the clawback provisions contained in the employment agreements that are applicable to our NEOs, our NEOs will be subject to additional clawback provisions pursuant to such rules. For more information, please see “Employment Agreements with Named Executive Officers—Clawbacks” on page 50.

Equity Ownership Requirements

We believe that maintaining equity ownership in our company will help align our NEOs’ interests with the interests of our stockholders and will mitigate a number of risks, including risks related to executive retention and undue risk-taking. In 2016, our Board adopted stock ownership guidelines and stock retention requirements that apply to the company’s executive officers and non-employee directors. The following guidelines for equity ownership are expressed as a multiple of each executive’s annual base salary:

NEOs	Stock Ownership Requirement (as a multiple of annual base salary)
CEO	6
Other Executive Officers	3

To determine compliance with these guidelines, generally, common shares held directly or indirectly and unvested restricted stock units subject solely to time-based vesting count towards meeting the stock ownership guidelines. Stock options, whether vested or unvested, and equity-based awards subject to performance-based vesting conditions are not counted towards meeting the stock ownership guidelines. Until the guidelines are met, 70% of the net shares (after tax withholding) received upon vesting of equity-based awards are required to be retained by the executive officer. As of March 24, 2016, each of our NEOs was in compliance with our stock ownership guidelines and, in particular, Mr. Jacobs exceeded the stock ownership requirement by a very significant degree thereby closely aligning the interests of our NEOs with the interests of our stockholders. In addition, each NEO has agreed to resale restrictions prohibiting the sale or transfer prior to September 2, 2018, of any shares of the company’s common stock (on an after-tax basis) acquired upon exercise or settlement of any equity grant received from the company, including equity grants made under each NEO’s employment agreement.

Tax Considerations

When consistent with the company’s executive compensation goals, we generally try to structure our compensation programs to maximize the deductibility of compensation under Section 162(m) of the Code. However, the Committee and our Board will take into consideration a multitude of factors in making executive compensation decisions and do, in certain circumstances, approve and authorize executive compensation that is not tax deductible.

Compensation Committee Report

The following statement made by our Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K as set forth above. Based on such review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Compensation Committee:

Adrian P. Kingshott (Committee Chair since March 2016)
Michael G. Jesselson
Jason D. Papastavrou
Oren G. Shaffer (served on the Compensation Committee until March 2016)

Compensation Tables

Summary Compensation Table

The following table sets forth information concerning the total compensation awarded to, earned by, or paid to our named executive officers (NEOs) for the year ended December 31, 2016. For the PRSUs granted in 2016, the table below:

- **Assumes Financial Targets Achieved**: the amounts reflected below assume the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met and no additional bonus amounts if the target is exceeded;
- **Reflects Full Vesting of 4-Year Award**: only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved; and
- **Uses a Fixed Stock Price**: the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled and may be higher or lower than the amount reflected below.

Name and Principal Position	Year	Salary ($)	Bonus[1][2] ($)	Stock Awards[3] ($)	Option Awards[3] ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation[4] ($)	Total ($)
Bradley S. Jacobs[5]	2016	$607,000	$1,375,000	$19,999,992[6]	—	—	$ 2,456	$21,984,448[7]
Chief Executive Officer	2015	$495,000	—	$ 2,948,108	—	$2,325,000	$ 3,614	$ 5,771,722
and Chairman	2014	$495,000	—	$ 2,802,536	—	$ 585,000	$ 2,105	$ 3,884,641
Troy A. Cooper	2016	$511,539	$1,075,000	$ 4,499,998[6]	—	—	$ 2,337	$ 6,088,874[7]
Chief Operating Officer	2015	$350,000	—	$ 491,361	—	$1,850,000	$ 3,760	$ 2,695,121
	2014	$308,462	—	$ 1,019,349	—	$ 475,000	$ 2,105	$ 1,804,916
John J. Hardig	2016	$498,385	$ 915,000	$ 3,999,998[6]	—	—	$ 2,512	$ 5,415,895[7]
Chief Financial Officer	2015	$395,000	$ 200,000	$ 491,361	—	$1,650,000	$32,982	$ 2,769,343
	2014	$395,000	—	$ 834,789	—	$ 435,000	$27,453	$ 1,692,242
Gordon E. Devens[8]	2016	$472,308	$ 500,000	$ 3,999,998[6]	—	—	$ 2,288	$ 4,974,594[7]
Former Chief Legal	2015	$300,000	—	$ 491,361	—	$1,650,000	$ 3,916	$ 2,445,277
Officer	2014	$300,000	—	$ 894,434	—	$ 475,000	$ 2,105	$ 1,671,539
Scott B. Malat	2016	$472,308	$ 500,000	$ 3,999,998[6]	—	—	$ 2,317	$ 4,974,623[7]
Chief Strategy Officer	2015	$300,000	$ 200,000	$ 491,361	—	$1,650,000	$ 3,916	$ 2,645,277
	2014	$300,000	—	$ 1,173,310	—	$ 475,000	$ 2,105	$ 1,950,415

(1) The amounts reflected in this column for 2015 represent a $200,000 one-time discretionary cash incentive award paid on June 30, 2015, to each of Messrs. Hardig and Malat in recognition of their contributions in connection with the company's acquisition of Norbert Dentressangle SA and the related financing transactions.

(2) The amounts reflected in this column for 2016 represent an annual cash bonus award earned in respect of 2016, which is described in more detail under the heading "Compensation Discussion and Analysis—Annual Cash Incentive Bonuses."

(3) The amounts reflected in this column represent the aggregate grant date fair value of the awards made during each respective year, as computed in accordance with ASC 718. For a further discussion of the assumptions used in the calculation of the grant date fair values for each year, please see "Notes to Consolidated Financial Statements—Note 12. Stock-Based Compensation" of our company's Annual Report on Form 10-K for the year ended December 31, 2016. For further discussion of grants made in 2016, see the accompanying "Grants of Plan-Based Awards" table, as well as "Compensation Discussion and Analysis—2016 Executive Compensation Outcomes—Long-Term Incentive Program".

(4) The components of "All Other Compensation" for 2016 are detailed below in the "All Other Compensation" table.

(5) Mr. Jacobs did not receive any additional compensation for his services as a director.

(6) This amount:

- reflects the aggregate grant date fair value of the PRSUs granted in 2016—the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled;

- assumes the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met; and
- reflects full vesting of the four-year award—only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved.

(7) In respect of the PRSUs granted in 2016, this amount:

- reflects the aggregate grant date fair value of the PRSUs—the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled;
- assumes the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met; and
- reflects full vesting of the four-year award—only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved.

(8) Mr. Devens resigned from the Company effective as of February 15, 2017.

We compensate our NEOs pursuant to the terms of their respective employment agreements, and the information reported in the "Summary Compensation" table reflects the terms of such agreements. For more information about our NEOs' employment agreements, see the discussion in this proxy statement under the heading "Employment Agreements with Named Executive Officers."

All Other Compensation Table

The following table outlines the amounts included in the "All Other Compensation" column in the "Summary Compensation" table for our NEOs in 2016:

Name	Matching Contributions to 401(k) Plan ($)[1]	Company-Paid Life Insurance Premiums ($)[2]	Perquisites and Other Personal Benefits ($)	Total ($)
Bradley S. Jacobs	$2,028	$428	—	$2,456
Troy A. Cooper	$1,909	$428	—	$2,337
John J. Hardig	$2,085	$428	—	$2,512
Gordon E. Devens	$1,920	$368	—	$2,288
Scott B. Malat	$1,890	$428	—	$2,317

(1) Amounts in this column represent matching contributions made by XPO Logistics to the company's 401(k) plan. Only amounts contributed directly by our NEOs are eligible for matching contributions, and our NEOs are eligible for matching contributions on the same basis as all other eligible employees of our company.

(2) Amounts in this column represent the company-paid premiums for basic life insurance and accidental death and dismemberment (AD&D) insurance.

Grants of Plan-Based Awards

The following table provides additional detail regarding grants of equity and non-equity plan-based awards under our 2011 Plan. For the PRSUs granted in 2016, the table below:

- **Assumes Financial Targets Achieved**: the amounts reflected below assume the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met and no additional bonus amounts if the target is exceeded;
- **Reflects Full Vesting of 4-Year Award**: only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved; and
- **Uses a Fixed Stock Price**: the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled and may be higher or lower than the amount reflected below.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards(3)
Name and Principal Position	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	
Bradley S. Jacobs Chief Executive Officer and Chairman	2/09/2016	2/07/2016	—	625,000	—	—	872,600	—	—	—	—	$19,999,992(4)
Troy A. Cooper Chief Operating Officer	2/09/2016	2/07/2016	—	537,500	—	—	196,335	—	—	—	—	$ 4,499,998(4)
John J. Hardig Chief Financial Officer	2/09/2016	2/07/2016	—	515,000	—	—	174,520	—	—	—	—	$ 3,999,998(4)
Gordon E. Devens Former Chief Legal Officer	2/09/2016	2/07/2016	—	500,000	—	—	174,520	—	—	—	—	$ 3,999,998(4)
Scott B. Malat Chief Strategy Officer	2/09/2016	2/07/2016	—	500,000	—	—	174,520	—	—	—	—	$ 3,999,998(4)

(1) Amounts represent the target award for each NEO. For actual payout information, see "Compensation Discussion and Analysis—Annual Cash Incentive Bonuses" on pages 34-35.

(2) Awards in these columns consist of PRSUs. The PRSUs vest on each of the first four anniversaries of the date of grant, subject to the NEO's continued employment through the applicable anniversary and upon achievement of the following performance goals for each applicable tranche: for the tranche scheduled to vest on the first, second, third, and fourth anniversaries of the date of grant, the company's adjusted cash flow per share must be at least $2.93 for fiscal 2016; $3.96 for fiscal 2017; $5.38 for fiscal 2018; and $6.39 for fiscal 2019, respectively.

(3) Amounts represent the grant date fair value of equity awards granted in 2016, as computed in accordance with ASC 718. For information on the valuation assumptions for the 2016 grants, see "Notes to Consolidated Financial Statements—Note 12, Stock-Based Compensation" of our company's Annual Report on Form 10-K for the year ended December 31, 2016.

(4) This amount:
- reflects the aggregate grant date fair value of the PRSUs granted in 2016—the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled;
- assumes the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met; and
- reflects full vesting of the four-year award—only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved.

For additional information relevant to the awards that are shown in the above table (including a discussion of the performance criteria established and the actual payouts, if applicable, under such awards), see the discussions in this proxy statement under the headings "Compensation Discussion and Analysis—Annual Cash Incentive Bonuses," "Compensation Discussion and Analysis—Long-Term Incentive Program" and "Employment Agreements with Named Executive Officers." Also, the vesting of awards set forth in the above table may, in certain instances, be accelerated upon certain events. See the discussions in this proxy statement under the headings "Compensation Discussion and Analysis" and "Employment Agreements with Named Executive Officers" for the principal terms of our NEOs' employment agreements.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth the outstanding equity awards held by our NEOs as of December 31, 2016. For the PRSUs granted in 2016, the table below:

- **Assumes Financial Targets Achieved**: the amounts reflected below assume the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met and no additional bonus amounts if the target is exceeded;
- **Reflects Full Vesting of 4-Year Award**: only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved; and
- **Uses a Fixed Stock Price**: the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled and may be higher or lower than the amount reflected below.

The amount of the PRSU payout calculated below is assuming a stock price of $43.16, the closing price of our common stock on December 30, 2016, the last business day of our fiscal year 2016 as required by applicable SEC regulations. The actual price of our common stock may vary at the time the actual PRSU payout is calculated at each of the specified settlement dates.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares of Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Bradley S. Jacobs Chief Executive Officer and Chairman	250,000	—	—	$ 9.28	11/21/2021	218,150(2)	$9,415,354(3)	907,479(4)	$39,166,794(3)
Troy A. Cooper Chief Operating Officer	25,000	—	—	$11.46	1/16/2022	59,084(5)	$2,550,065(3)	229,375(6)	$ 9,899,825(3)
John J. Hardig Chief Financial Officer	50,000	—	—	$14.09	2/13/2022	43,630(7)	$1,883,071(3)	192,820(8)	$ 8,322,111(3)
Gordon E. Devens Former Chief Legal Officer	125,000	—	—	$ 9.79	11/14/2021	66,487(9)	$2,869,579(3)	196,025(10)	$ 8,460,439(3)
Scott B. Malat Chief Strategy Officer	48,000	—	—	$10.65 $18.07	10/21/2021 3/5/2022	55,058(11)	$2,376,303(3)	205,637(12)	$ 8,875,293(3)

<u>**Note**</u>: Vesting of all outstanding equity awards is subject to continued employment by the NEO on the applicable vesting date, subject to certain exceptions in connection with a qualifying termination of employment.

(1) Amounts in this column have been calculated using an assumed stock price of $43.16, the closing price of our common stock on December 30, 2016, the last business day of our fiscal year 2016.

(2) Consists of 218,150 cash-settled PRSUs, which vested on February 9, 2017, upon Committee certification of the achievement of the applicable performance criteria.

(3) In respect of the PRSUs granted in 2016, this amount:
- reflects the aggregate grant date fair value of the PRSUs—the amount of the PRSU payout in each year is dependent on the company's stock price at the time the award is settled;
- assumes the achievement of the applicable performance goals at the target level—there is no payout under these awards if the relevant annual financial target is not met; and
- reflects full vesting of the four-year award—only 25% of each PRSU award will vest annually if the relevant adjusted cash flow per share goal in each year of the four-year vesting period is achieved.

(4) Consists of 253,029 PRSUs, which will vest on April 2, 2018, subject to achievement of certain performance criteria and 654,450 cash-settled PRSUs which will vest in three installments on February 9, 2018, February 9, 2019, and February 9, 2020, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level.

(5) Consists of 10,000 PRSUs, of which 5,000 vested on February 15, 2017 and 5,000 will vest on February 15, 2018; and 49,084 cash-settled PRSUs, which vested on February 9, 2017, upon Committee certification of achievement of the applicable performance criteria.

(6) Consists of 82,124 PRSUs, which will vest on April 2, 2018, subject to achievement of certain performance criteria and 147,251 cash-settled PRSUs which will vest in three installments on February 9, 2018, February 9, 2019, and February 9, 2020, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level.

(7) Consists of 43,630 cash-settled PRSUs, which vested on February 9, 2017, upon Committee certification of the achievement of the applicable performance criteria.

(8) Consists of 61,930 PRSUs, which will vest on April 2, 2018, subject to achievement of certain performance criteria and 130,890 cash-settled PRSUs which will vest in three installments on February 9, 2018, February 9, 2019, and February 9, 2020, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level.

(9) Consists of 22,857 PRSUs, of which 11,429 vested on February 15, 2017 and 11,428 will vest on February 15, 2018; and 43,630 cash-settled PRSUs, which vested on February 9, 2017, upon Committee certification of the achievement of the applicable performance criteria.

(10) Consists of 65,135 PRSUs, which will vest on April 2, 2018, subject to achievement of certain performance criteria and 130,890 cash-settled PRSUs which will vest in three installments on February 9, 2018, February 9, 2019, and February 9, 2020, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level.

(11) Consists of 11,428 PRSUs, of which 5,714 vested on February 15, 2017 and 5,714 will vest on February 15, 2018; and 43,630 cash-settled PRSUs, which vested on February 9, 2017, upon Committee certification of the achievement of the applicable performance criteria.

(12) Consists of 74,747 PRSUs, which will vest on April 2, 2018, subject to achievement of certain performance criteria and 130,890 cash-settled PRSUs which will vest in three installments on February 9, 2018, February 9, 2019, and February 9, 2020, subject to achievement of certain performance criteria. PRSUs are reflected at the target level, which is also the threshold and maximum level.

Option Exercises and Stock Vested

The following table sets forth the restricted stock units that vested for our NEOs during 2016. There were no stock option exercises by our NEOs during 2016.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Bradley S. Jacobs	—	—	42,000	1,502,760
Troy A. Cooper	—	—	15,000	536,700
John J. Hardig	—	—	27,000	966,060
Gordon E. Devens	—	—	34,286	1,226,753
Scott B. Malat	—	—	37,834	1,353,701

(1) The aggregate dollar amount realized upon the vesting of RSUs and PRSUs is calculated based on the closing price on the date of vesting.

Potential Payments Upon Termination or Change of Control

The following table reflects the amounts of compensation that would be due to each of our NEOs pursuant to their respective employment agreements upon termination without Cause or for Good Reason (as defined in their respective employment agreements), termination for Cause, voluntary termination without Good Reason, termination due to disability or death of the executive, a Change of Control (as defined in their respective employment agreements), termination following a Change of Control, in each case, as if each such event had occurred on December 31, 2016. The amounts shown below are estimates of the payments that each NEO would receive in certain instances. The actual amounts payable will only be determined upon the actual occurrence of any such event.

Event	Bradley S. Jacobs	Troy A. Cooper	John J. Hardig	Gordon E. Devens	Scott B. Malat
Termination without Cause or for Good Reason:					
Cash severance(1)(2)(3)	$ 312,500	$ 268,750	$ 257,500	$ 250,000	$ 250,000
RSUs	—	—	—	—	—
PRSUs	*$15,535,075*	*$ 4,676,965*	*$ 3,458,942*	*$ 4,541,064*	*$ 4,334,543*
Options	—	—	—	—	—
Acceleration of equity-based awards(4)	$15,535,075	$ 4,676,965	$ 3,458,942	$ 4,541,064	$ 4,334,543
Continuation of medical / dental benefits(5)	$ 9,199	$ 6,523	$ 9,199	$ 9,199	$ 9,199
Total	***$15,856,774***	***$ 4,952,238***	***$ 3,725,641***	***$ 4,800,263***	***$ 4,593,742***

Event	Bradley S. Jacobs	Troy A. Cooper	John J. Hardig	Gordon E. Devens	Scott B. Malat
Termination without Cause or for Good Reason, Fully Extended Non-Compete(6):					
Cash severance(1)(2)(3)	$ 937,500	$ 806,250	$ 772,500	$ 750,000	$ 750,000
RSUs	—	—	—	—	—
PRSUs	*$15,535,075*	*$ 4,676,965*	*$ 3,458,942*	*$ 4,541,064*	*$ 4,334,543*
Options	—	—	—	—	—
Acceleration of equity-based awards(4)	$15,535,075	$ 4,676,965	$ 3,458,942	$ 4,541,064	$ 4,334,543
Continuation of medical / dental benefits(5)	$ 9,199	6,523	$ 9,199	$ 9,199	$ 9,199
Total	***$16,481,774***	***$ 5,489,738***	***$ 4,240,641***	***$ 5,300,263***	***$ 5,093,742***
Termination for Cause or Voluntary Termination without Good Reason:					
Cash severance(1)(2)	—	—	—	—	—
Acceleration of equity-based awards	—	—	—	—	—
Continuation of medical / dental benefits	—	—	—	—	—
Total	**—**	**—**	**—**	**—**	**—**
Disability:					
Cash severance(1)(2)	—	—	—	—	—
Acceleration of equity-based awards(4)	—	$ 431,600	—	$ 986,508	$ 493,232
Continuation of medical / dental benefits	—	—	—	—	—
Total	**—**	***$ 431,600***	**—**	***$ 986,508***	***$ 493,232***
Death:					
Cash severance(2)	—	—	—	—	—
Acceleration of equity-based awards(4)	$48,582,148	$12,449,890	$10,205,182	$11,330,018	$11,251,596
Continuation of medical / dental benefits	—	—	—	—	—
Total	***$48,582,148***	***$12,449,890***	***$10,205,182***	***$11,330,018***	***$11,251,596***
Change of Control and No Termination:					
Cash severance(2)	—	—	—	—	—
Acceleration of equity-based awards(4)	$48,582,148	$12,449,890	$10,205,182	$11,330,018	$11,251,596
Continuation of medical / dental benefits	—	—	—	—	—
Total	***$48,582,148***	***$12,449,890***	***$10,205,182***	***$11,330,018***	***$11,251,596***
Change of Control and Termination without Cause or for Good Reason:					
Cash severance(2)	$ 3,125,000	$ 2,687,500	$ 2,575,000	$ 2,500,000	$ 2,500,000
Acceleration of equity-based awards(4)	$48,582,148	$12,449,890	$10,205,182	$11,330,018	$11,251,596
Continuation of medical / dental benefits(5)	$ 36,796	$ 26,092	$ 36,796	$ 36,796	$ 36,796
Total	***$51,743,944***	***$15,163,482***	***$12,816,978***	***$13,866,814***	***$13,788,392***

(1) Upon a termination of employment for any reason (other than death), whether with or without Cause, within two years after the payment date, a portion of the NEO's 2015 and 2016 cash bonuses must be reimbursed to the company. This repayment obligation is not reflected in the amounts shown in this table. The repayment obligation does not apply after a Change of Control.

(2) Amounts shown do not include any payments for accrued and unpaid salary, bonuses or vacation.

(3) In the event of a termination by our company without Cause or by any NEO for Good Reason prior to a Change of Control, cash severance payable to the NEO will be reduced, dollar for dollar, by other income earned by such NEO. The calculations of severance pay in the above table use the NEO's base salary effective as of December 31, 2016.

(4) Amounts shown were calculated using a stock price of $43.16 per share, our company's stock price as of December 30, 2016, the last trading day in our 2016 fiscal year. The amounts shown for PRSUs have been estimated assuming that the applicable performance goals are met at target levels. Although the PRSUs would no longer be subject to a continued service requirement upon the occurrence of a termination by our company without Cause or by the NEO for Good Reason, payment of such award would remain subject to the actual achievement of the applicable performance goals. As of December 31, 2016, none of the NEOs had any unvested RSUs or stock options.

(5) The amounts of continued medical and dental benefits shown in the table (i) have been calculated based upon our current actual costs of providing the benefits through COBRA and (ii) have not been discounted for the time value of money. Our current annual cost of providing medical and dental benefits to each of our eligible NEOs is $18,398 for Messrs. Jacobs, Hardig, Devens, and Malat and $13,046 for Mr. Cooper. In the case of our NEOs, in the event of a termination without Cause, continued medical and dental benefits will cease when the NEO commences employment with a new employer.

(6) In the event of a termination for any reason, our company has the right to extend the period during which such NEO is bound by the non-competition covenant in his employment agreement for up to 12 additional months. During the period the non-compete is extended, the NEO would be entitled to receive cash compensation equal to his monthly base salary as in effect on the date his employment terminated. Amounts included in the respective columns assume that the non-compete is extended for 12 months for each NEO, such that the NEO will not be permitted to compete with our company for three years following his termination and will receive monthly base salary continuation during such 12-month extension period.

Each NEO's employment agreement, which is described in detail in this proxy statement under the heading "Employment Agreements with Named Executive Officers," generally provides that, in the event of a termination without Cause (as defined below) either prior to a Change of Control (as defined below) or more than two years following a Change of Control, cash severance payments and continued benefits will be made ratably over the six-month period following the executive's termination (subject to any delays required pursuant to Section 409A of the Code). The employment agreements generally do not provide for payments other than accrued benefits if employment is terminated due to death or disability. Generally, in the event of a termination upon or within two years following a Change of Control, cash severance payments will be made in one lump sum (subject to any delays required pursuant to Section 409A of the Code). The equity-based awards granted to our NEOs will generally accelerate vesting in the event of a termination due to disability or death or upon a Change of Control, except that the 2014 and 2015 PRSU award agreements do not specifically address vesting in the event that the termination of employment is due to disability and for purposes of these calculations we have assumed no accelerated vesting. The severance payments set forth in the table are generally subject to and conditioned upon the NEO signing an irrevocable waiver and release and continued compliance with certain restrictive covenants.

For more information regarding the payments and benefits to which our NEOs are entitled upon certain termination events or upon a Change of Control, see the discussion in this proxy statement under the heading "Employment Agreements with Named Executive Officers."

Employment Agreements with Named Executive Officers

Effective as of February 9, 2016, we entered into employment agreements with each of the NEOs (the "2016 Employment Agreements"), which replace and supersede the prior employment agreements with our NEOs that were originally scheduled to expire on September 2, 2016. The primary purposes of the 2016 Employment Agreements are to: (i) incentivize the NEOs to be aligned with our corporate goals and shareholders' interests, (ii) provide financial incentives for the NEOs to increase shareholder value and focus on the integration of recent acquisitions, and (iii) strengthen the linkage between pay and performance in our executive compensation program.

Term. Each 2016 Employment Agreement provides for the NEO's employment from the effective date of February 9, 2016, until February 9, 2020.

Lock-up Restrictions. Pursuant to the 2016 Employment Agreements, any shares of our common stock issued to an NEO upon exercise or vesting of any equity compensation award (whether before, on or after the date of the 2016 Employment Agreement) will be subject to a lock-up until the earliest of September 2, 2018, a Change of Control or the NEO's death. Under the prior employment agreements, such shares were subject to lock-up until September 2, 2016.

Benefits and Business Expense Reimbursement. Under the 2016 Employment Agreements, each of our NEOs is eligible to participate in our benefit plans and programs that are generally available to other members of our senior executive team and is eligible for reimbursement of all reasonable and necessary business expenses incurred in the performance of his duties during the term of his 2016 Employment Agreement.

Termination Events. The severance payments pursuant to the 2016 Employment Agreements described below are generally subject to and conditioned upon the NEO signing an irrevocable waiver and general release and also complying with the restrictive covenants contained in his or her 2016 Employment Agreement (as described below).

In the event that any of our NEOs dies during the term of his 2016 Employment Agreement, or if we terminate the NEO's employment without Cause, either prior to a Change of Control or more than two years following a Change of Control, such NEO will be entitled to:

- Accrued and unpaid salary, vacation benefits and unreimbursed business expenses;
- Solely in the case of a termination by the company without Cause: six (6) months' base salary, at the level in effect on the date of termination, which will be paid in equal installments over the 6 months following the date of termination (subject to any delay required by Section 409A of the Code), and which generally will be reduced, dollar-for-dollar, by other earned income; and
- Solely in the case of a termination by the company without Cause: medical and dental coverage for a period of six (6) months from the date of termination, or, if earlier, until the NEO secures other employment.

The 2016 Employment Agreements do not provide for accelerated vesting of equity, equity-based or other long term incentive compensation awards other than as set for the in the applicable award agreements. The 2016 Employment Agreements modified the terms of PRSUs granted to the NEOs during 2014 and 2015. Specifically, the 2016 Employment Agreements provide that, notwithstanding the original award agreements for PRSUs granted during 2014 and 2015, in the event an NEO is terminated without Cause, a prorated portion of the PRSU award will vest only if the applicable performance goal is achieved. The original award agreements with respect to PRSUs granted during 2014 and 2015 to the NEOs provided that, upon a termination without Cause prior to April 2, 2018, such PRSUs would vest on a prorated basis without regard to whether the applicable performance goal was satisfied.

Pursuant to the terms of the 2016 Employment Agreements and a subsequent modification, all PRSUs granted to NEOs in 2014 and 2015 were modified so that such PRSUs will vest if the following conditions occur: (i) the company's common stock trades at or above $60.00 per share for 20 consecutive trading days prior to April 2, 2018 and the company's fiscal year 2017 adjusted cash earnings per share is at least $2.75, or (ii) if such performance goals are not met, the company's common stock trades at or above $86.00 per share for 20 consecutive trading days prior to September 2, 2020 and the company's fiscal year 2019 adjusted cash earnings per share is at least $4.30.

Definitions of Cause and Good Reason

"Cause," for purposes of the 2016 Employment Agreements, generally means the NEO's:

- Gross negligence or willful failure to perform his or her duties;
- Abuse or dependency on alcohol or drugs that adversely affects the NEO's performance of duties;
- Commission of any fraud, embezzlement, theft or dishonesty, or any deliberate misappropriation of money or other assets of our company;
- Breach of any term of the NEO's 2016 Employment Agreement or any agreement governing any equity-based awards or breach of his or her fiduciary duties;
- Any willful act, or failure to act, in bad faith to the detriment of our company;
- Willful failure to cooperate in good faith with a governmental or internal investigation if such cooperation is requested;
- Failure to follow our company's code of conduct or ethics policies; and
- Conviction of, or plea of nolo contendere to, a felony or any serious crime;

provided that, in cases where cure is possible, the NEO has a cure period of 15 days before he or she can be terminated for Cause.

The 2016 Employment Agreements allow a NEO to terminate employment for Good Reason only upon or during the two-year period following a Change of Control. "Good Reason," for purposes of the 2016 Employment Agreements, generally means, without first obtaining the NEO's written consent:

- Our material breach of the terms of the NEO's 2016 Employment Agreement or a reduction in base salary or target bonus;
- Our material diminishment of the NEO's title, duties, authorities, reporting relationships, responsibilities or position;
- Our requirement that the NEO to be based in a location that is more than 50 miles from his initial work location immediately prior to the Change of Control; or
- With regard to Mr. Jacobs, our requirement that he no longer reports directly to the Board; and with regard to each of Messrs. Cooper, Hardig, Devens and Malat, our requirement that he reports to someone other than the Chief Executive Officer.

In each case, the NEO's Good Reason right is subject to our company's 30-day cure period.

Change of Control. In the event that, upon or within two years following a Change of Control, Messrs. Jacobs', Cooper's, Hardig's, Devens' or Malat's employment is terminated by our company without Cause or such NEO resigns for Good Reason, he will receive:

- Accrued and unpaid salary, vacation benefits and unreimbursed business expenses;
- A lump-sum cash payment equal to two times the sum of his annual base salary and target annual bonus each at the level in effect on the date of termination (subject to any delay required by Section 409A of the Code);
- A prorated target bonus for the year of termination; and
- Medical and dental coverage for a period of 24 months from the date of termination.

In the event that any amounts payable to the NEO in connection with a Change of Control constitute "parachute payments" within the meaning of Section 280G of the Code, then any such amounts will be reduced to avoid triggering the excise tax imposed by Section 4999 of the Code, if it would be more favorable to the NEO on a net after-tax basis. The NEO is not entitled to a gross-up payment for excise taxes imposed by Section 4999 of the Code on "excess parachute payments," as defined in Section 280G of the Code.

Clawbacks. Under the 2016 Employment Agreements, each of our NEOs is subject to equity and annual bonus clawback provisions in the event of: (1) a breach of the restrictive covenants, (2) termination of his employment by our company for Cause, or (3) his engagement in fraud or willful misconduct that contributes materially to any financial restatement or material loss to our company or its affiliates. If any such event occurs, we generally may terminate or cancel any awards granted to such NEO by our company (whether vested or unvested), and require him to forfeit or remit to our company any amount payable (or the net after-tax amount paid or received by such NEO) in respect of any such awards. Furthermore, under the 2016 Employment Agreements, in the event that an NEO engages in fraud or other willful misconduct that contributes materially to any financial restatement or material loss to our company, our company may generally require such NEO to repay any annual bonus (net of any taxes paid by him) previously paid to him, cancel any earned but unpaid annual bonus or adjust any future compensation such that he will only retain the amount that would have been payable to him after giving effect to the financial restatement or material loss. In addition, in the event that the NEO breaches any restrictive covenant, such NEO will be required, upon written notice from us, to forfeit or repay to our company his severance payments. In certain circumstances, the breach or fraudulent conduct must have occurred within a certain period in order for us to be able to clawback the equity-based awards, annual bonus or severance payments. In addition, the NEO shall be subject to any other clawback or recoupment policy of the company as may be in effect from time to time or any clawback or recoupment as may be required by applicable law.

Restrictive Covenants. Under the 2016 Employment Agreements, each of our NEOs is generally subject to the following restrictive covenants: employee and customer non-solicitation during his employment and for a period of three years thereafter; confidentiality and non-disparagement during his employment and thereafter; and non-competition during his employment and for a period of two years following his termination for any reason. In addition, we have the option to extend the non-competition period for up to an additional year following a termination for any reason, provided that we continue to pay the NEO's base salary as in effect on the date of termination during the extended non-competition period.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information as of December 31, 2016, with respect to the Company's compensation plans under which equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[1] (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	4,429,177[2]	$13.29	3,319,710[3]
Equity compensation plans not approved by security holders	50,000[4]	$14.09	0
Total	4,479,177	$13.32	3,319,710

(1) The weighted average exercise price is based solely on the outstanding options.

(2) Includes 906,755 stock options outstanding under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan, 60,062 stock options outstanding under the Segmentz, Inc. 2001 Stock Option Plan, and 63,737 stock options outstanding under the Con-way Inc. 2006 Equity and Incentive Plan. Also includes an aggregate of 80,290 performance-based restricted stock units granted under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan, 2,847,946 restricted stock units and performance-based restricted stock units granted under the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan and 470,387 restricted stock units and performance-based restricted stock units granted under the Con-way Inc. 2012 Equity and Incentive Plan.

(3) Includes 3,319,710 securities available for issuance under the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan.

(4) These securities were granted to our Chief Financial Officer in February 2012 outside the security holder-approved plan as employee inducement grants. These securities represent 50,000 stock options.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to us, or written representations from our directors and executive officers, we believe that during 2016, our executive officers, directors and greater than ten-percent beneficial owners complied with all applicable Section 16(a) filing requirements.

AUDIT-RELATED MATTERS

Report of the Audit Committee

The following statement made by our Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such statement by reference.

The Audit Committee ("we" in this Report of the Audit Committee) currently consists of Mr. Shaffer (Chair), Mr. Kingshott and Dr. Papastavrou. Until March 2016, the Audit Committee consisted of Dr. Papastavrou (Chair), Mr. Jesselson and Mr. Kingshott.

The Board of Directors has determined that each current member of the Audit Committee has the requisite independence and other qualifications for audit committee membership under SEC rules, the listing standards of NYSE, our Audit Committee Charter, and the independence standards set forth in the XPO Logistics, Inc. Corporate Governance Guidelines. The Board of Directors has also determined that Dr. Papastavrou and Mr. Shaffer each qualify as an "audit committee financial expert" as defined under Item 407(d)(5) of Regulation S-K under the Exchange Act. As more fully described below, in carrying out its responsibilities, the Audit Committee relies on management and XPO's independent registered public accounting firm (the "outside auditors"). The Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee operates under a written charter that is reviewed annually and is available at www.xpo.com.

In accordance with our charter, the Audit Committee assists the Board of Directors in fulfilling its responsibilities in a number of areas. These responsibilities include, among others, oversight of: (i) XPO's accounting and financial reporting processes, including XPO's systems of internal controls over financial reporting and disclosure controls, (ii) the integrity of XPO's financial statements, (iii) XPO's compliance with legal and regulatory requirements, (iv) the qualifications and independence of XPO's outside auditors, and (v) the performance of XPO's outside auditors and internal audit function. Management is responsible for XPO's financial statements and the financial reporting process, including the system of internal control over financial reporting. XPO's outside auditors, KPMG, are accountable to us and are responsible for expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of XPO in conformity with generally accepted accounting principles in the United States. We are solely responsible for selecting and reviewing the performance of XPO's outside auditors and, if we deem appropriate in our sole discretion, terminating and replacing the outside auditors. We also are responsible for reviewing and approving the terms of the annual engagement of XPO's outside auditors, including the scope of audit and non-audit services to be provided by the outside auditors and the fees to be paid for such services, and discussing with the outside auditors any relationships or services that may impact the objectivity and independence of the outside auditors.

In fulfilling our oversight role, we met and held discussions, both together and separately, with the company's management and KPMG. Management advised us that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements and key accounting and reporting issues with management and KPMG, both together and separately, in advance of the public release of operating results and filing of annual and quarterly reports with the SEC. We discussed with KPMG matters deemed significant by KPMG, including those matters required to be discussed pursuant to Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*, and reviewed a letter from KPMG disclosing such matters.

KPMG also provided us with the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding the outside auditors' communications with the Audit Committee concerning independence, and we discussed with KPMG matters relating to their independence and considered whether their provision of certain non-audit services is compatible with maintaining their independence. KPMG has confirmed its independence, and we determined that KPMG's provision of non-audit services to XPO is compatible with maintaining its independence. We also reviewed a report by KPMG describing the firm's internal quality-control procedures and any material issues raised in the most recent internal quality-control review or external peer review or inspection performed by the Public Company Accounting Oversight Board.

Based on our review with management and KPMG of XPO's audited consolidated financial statements and KPMG's report on such financial statements, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements be included in XPO's Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the SEC.

Audit Committee:

Oren G. Shaffer (Committee Chair; member since March 2016)
Jason D. Papastavrou (Committee Chair until March 2016)
Adrian P. Kingshott
Michael G. Jesselson (served on Audit Committee until March 2016)

Policy Regarding Pre-Approval of Services Provided by the Outside Auditors

The Audit Committee's charter requires review and pre-approval by the Audit Committee of all audit services provided by our outside auditors and, subject to the *de minimis* exception under applicable SEC rules, all permissible non-audit services provided by our outside auditors. The Audit Committee has delegated to its chair the authority to approve, within guidelines and limits established by the Audit Committee, specific services to be provided by our outside auditors and the fees to be paid. Any such approval must be reported to the Audit Committee at the next scheduled meeting. As required by Section 10A of the Exchange Act, the Audit Committee pre-approved all audit and non-audit services provided by our outside auditors during 2016 and 2015, and the fees paid for such services.

Services Provided by the Outside Auditors

As described above, the Audit Committee is responsible for the appointment, compensation, oversight, evaluation and termination of our outside auditors. Accordingly, the Audit Committee retained KPMG to serve as our independent registered public accounting firm for fiscal year 2016 on March 25, 2016.

The following table shows the fees for audit and other services provided by KPMG for fiscal years 2016 and 2015.

Fee Category	2016	2015
Audit Fees	$7,300,000	$6,500,000
Audit-Related Fees	400,000	2,700,000
Tax Fees	200,000	300,000
All Other Fees	—	—
Total Fees	$7,900,000	$9,500,000

Audit Fees. This category includes fees for professional services rendered by KPMG for 2016 and 2015 for the audits of our financial statements included in our Annual Report on Form 10-K, and reviews of the financial statements included in our Quarterly Reports on Form 10-Q. Also included within the 2016 and 2015 audit fees are fees for services rendered for the audits of the opening balance sheets of acquisitions during 2015 and fees for services that are normally provided by the independent registered public accounting firm in connection with statutory or regulatory filings or engagements, including comfort letters and consents issued in connection with SEC filings.

Audit-Related Fees. This category includes fees billed for professional services rendered by the outside auditor for assurance and related services related to the performance of the audit or review of the financial statements that are not disclosed as Audit Fees. The 2016 and 2015 fees include financial due diligence services provided by KPMG in connection with acquisitions and dispositions during 2016 and 2015.

Tax Fees. This category includes fees billed for professional services rendered by KPMG in connection with tax due diligence and tax services in 2016 and 2015, respectively.

All Other Fees. This category represents fees for all other services or products provided that are not covered by the categories above. There were no such fees for 2016 and 2015.

PROPOSALS TO BE PRESENTED AT THE ANNUAL MEETING

PROPOSAL 1: ELECTION OF DIRECTORS

After consultation with JPE in view of its rights under the Investment Agreement (as described under "Board of Directors and Corporate Governance—Directors" on page 10, our Board of Directors has nominated for election at the annual meeting each of the following persons to serve until the 2018 annual meeting of stockholders or until their successors are duly elected and qualified:

Bradley S. Jacobs;
Gena L. Ashe;
Louis DeJoy;
Michael G. Jesselson;
Adrian P. Kingshott;
Jason D. Papastavrou; and
Oren G. Shaffer.

Each of the above nominees for director is currently serving as a member of our Board of Directors. Information about the nominees is set forth above under the heading "Board of Directors and Corporate Governance—Directors."

In the event that any of these nominees is unable or declines to serve as a director at the time of the annual meeting, the proxies voting for his or her election will be voted for any nominee who shall be designated by the Board of Directors to fill the vacancy. As of the date of this proxy statement, we are not aware that any of the nominees is unable or will decline to serve as a director if elected.

Required Vote

The election of the seven (7) director nominees named in this proxy statement requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) by holders of shares of our common stock (including those that would be issued if all of our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date). If any incumbent director standing for election receives a greater number of votes "against" his or her election than votes "for" such election, our bylaws require that such person must promptly tender his or her resignation to the Board of Directors.

Recommendation

Our Board of Directors recommends a vote "FOR" the election of each of the nominees listed above to our Board of Directors.

PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2017

The Audit Committee of our Board of Directors has appointed KPMG LLP to serve as our independent registered public accounting firm for the year ending December 31, 2017. KPMG has served in this capacity since June 20, 2011.

We are asking our stockholders to ratify the appointment of KPMG as our independent registered public accounting firm. Although ratification is not required by our bylaws or otherwise, our Board of Directors is submitting the appointment of KPMG to our stockholders for ratification as a matter of good corporate governance. If our stockholders fail to ratify the appointment of KPMG, the Audit Committee will consider whether it is appropriate and advisable to appoint a different independent registered public accounting firm. Even if our stockholders ratify the appointment of KPMG, the Audit Committee in its discretion may appoint a different registered public accounting firm at any time if it determines that such a change would be in the best interests of our company and our stockholders.

Representatives of KPMG are expected to be present at the annual meeting and will have an opportunity to make a statement and to respond to appropriate questions.

Required Vote

Ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2017, requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present.

Recommendation

Our Board of Directors recommends a vote "FOR" the ratification of the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2017.

PROPOSAL 3: ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC. Accordingly, we are asking our stockholders to approve the following advisory resolution:

> "**RESOLVED**, that the stockholders of XPO Logistics, Inc. (the "Company") hereby approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in the Proxy Statement for the Company's 2017 Annual Meeting of Stockholders."

We encourage stockholders to review the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosures included in this proxy statement. As described in detail under the heading "Executive Compensation—Compensation Discussion and Analysis," we believe that our compensation programs appropriately reward executive performance and align the interests of our named executive officers and key employees with the long-term interests of our stockholders, while also enabling us to attract and retain talented executives.

This resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on our Board of Directors. Although non-binding, our Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

At the 2012 annual meeting of stockholders, our stockholders voted to approve an annual holding of the advisory vote on executive compensation. Accordingly, as previously disclosed by the company, we will hold future, non-binding, advisory votes on executive compensation on an annual basis; this will continue until the next required non-binding, advisory vote is held on the frequency of advisory votes on executive compensation.

Required Vote

Approval of this resolution, commonly referred to as a "say-on-pay" resolution, requires the affirmative vote of a majority of the votes cast (meaning the number of shares voted "for" such proposal must exceed the number of shares voted "against" such proposal) by holders of shares of our common stock (including those that would be issued if all our outstanding Series A Preferred Stock had converted into shares of our common stock as of the Record Date) at the annual meeting at which a quorum is present.

Recommendation

Our Board of Directors recommends a vote "FOR" approval of the advisory resolution to approve executive compensation set forth above.

PROPOSAL 4: STOCKHOLDER PROPOSAL REGARDING AN ANNUAL SUSTAINABILITY REPORT

We have been notified that the International Brotherhood of Teamsters General Fund, 25 Louisiana Avenue, NW, Washington, DC 20001 expects to introduce and support the following proposal at the annual meeting. This stockholder proponent has provided certification indicating that, as of November 28, 2016, it was the beneficial owner of 160 shares of the Company's common stock, or approximately 0.0001%, and that it intends to maintain such ownership through the date of the annual meeting.

Proposal

RESOLVED: Shareholders request XPO Logistics, Inc. ("XPO"), issue an annual sustainability report describing the Company's responses to Environmental, Social and Governance ("ESG") related issues affecting the Company. The report should be prepared at reasonable cost, omitting proprietary information, and be available to shareholders by December 2017.

It should address relevant policies, practices, and metrics on topic, such as human capital management and greenhouse gas emissions, and provide objective quantitative indicators and goals relating to each issue, where feasible.

We recommend using the Global Reporting Initiative's Sustainability Reporting Guidelines to prepare the report. The Guidelines cover environmental impacts, human rights and labor practices and provide a flexible reporting system that allows omission of content irrelevant to company operations.

SUPPORTING STATEMENT:

A global, third-party logistics company providing transportation and logistics services, XPO's ESG exposure involves a complex set of processes and relationships, including:

- Meeting the ESG expectations of its clients, which market major consumer brands; many of whom are increasingly concerned with the social and environmental performance of their supply chains.
- Monitoring the ESG performance of its supply chain partners, which provide many of the trucking and freight services XPO offers, including approximately 10,000 trucks contracted via independent owner operators and more than 1 million brokered trucks.
- Managing the ESG performance of its own operations, which include, as of November 2016; 16,000 tractors, 39,500 trailers, 86,000 employees, and 748 contract logistics facilities.

In its Sustainability Yearbook 2016, RobecoSAM highlights climate change, human capital and occupational health and safety as among the sustainability issues facing transportation companies. (http://yearbook.robecosam.com/industry/transportation-and-transportation-infrastructure.html).

Following the political and media firestorm over allegations of sweatshop-like conditions at an XPO facility operated on behalf of e-commerce fashion retailer ASOS in Barnsley, England, we believe human capital management is of critical importance to shareholders. (http://www.bbc.com/news/business-37483334).

According to the 2016 Third-Party Logistics Study by C. John Langley, Jr., Ph.D., and Capgemini Consulting, the sector faces unprecedented labor shortages, bringing challenges and opportunities to human capital management. (http://www.3plstudy.com/). How companies handle human capital management issues, including media and regulatory attention on the classification of independent owner-operators, will help determine competitiveness in the industry, as the Sustainable Accounting Standards Board concluded in its 2014 Air Freight & Logistics Industry Brief. (http://www.sasb.org/wp-content/uploads/2014/09/TR0202_AirFreightLogistics_Industry_Brief.pdf).

XPO's sustainability practices are particularly important to shareholders in light of its rapid expansion. From FY-end 2013 to FY-end 2015, XPO spent over $6.5 billion on acquisitions and witnessed a ten-fold increase in revenue.

Although XPO's website provides some information related to ESG, reporting falls short of a comprehensive sustainability report. Competitors, such as Deutsche Post/DHL and UPS, provide disclosure of strategies, goals and performance around human capital and climate change initiatives.

STATEMENT IN OPPOSITION BY OUR BOARD OF DIRECTORS

XPO is committed to sustainability principles and proactively provides disclosure regarding various environmental, social and governance-related matters. However, the XPO Board of Directors believes that the preparation of an overly prescribed sustainability report would be a premature and time-consuming exercise that is not warranted at this time. In light of XPO's existing focus on these topics and the information already available on our website, in our Global Compact annual reports, in our filings with the SEC and in our Code of Business Ethics as outlined below, XPO's Board of Directors recommends that stockholders vote **AGAINST** this stockholder proposal.

We are committed to operating our business in a way that demonstrates high regard for all of our stakeholders and the environment. In particular, we are committed to using our resources to help our customers achieve their objectives, including their environmental and sustainability objectives, and we are committed to achieving ours as well. We have set up common general principles, policies and standards in human resources management to ensure that we respect each of our employees and the rules and regulations of the communities in which we operate. A few recent awards and recognitions further highlight our commitment to innovative sustainability practices:

- XPO signed the Sustainable Urban Logistics Charter of the City of Paris pledging to help reduce the environmental impact of our goods transportation, including by using natural gas trucks for the road transport portion of France's first intermodal urban rail shuttle (2016);
- The French Ministry of the Environment and the French Environment and Energy agency awarded our company the label "Objectif CO2" for the outstanding environmental performance of our transport operations in Europe (2016);
- Inbound Logistics named our company a Top 75 Green Supply Chain Partner (2016);
- SmartWay honored our company for excellence in environmental improvement in North America (2015); and
- XPO Logistics Europe introduced the first LNG-powered tractors in Europe in 2015 and we believe that our European operations have one of the most modern and environmental-friendly fleets in Europe.

We recognize the value in providing public disclosure regarding our sustainability focus. For example, we have created a special sustainability section on our corporate website to discuss our responses and actions with respect to sustainability, especially with respect to supply chain matters that are emphasized by the proponent. These public disclosures describe just some of our activities aimed at reducing our environmental impact, including implementing efficiencies like electronic waybills and documentation, maintaining office recycling polices, educating our carriers on sustainable practices, evaluating our leased buildings for energy considerations, monitoring the fuel emissions of the forklifts in our facilities, designing our packaging to ensure that the optimal carton size is used for each product, purchasing recycled packaging materials when feasible and designing and manufacturing reusable kitting tools for the installation of parts in our clients' manufacturing operations.

XPO Logistics Europe currently produces reports on an annual basis on its compliance with the United Nations Global Compact. We expect to continue to evaluate the extent to which our European practices and disclosure approaches can also be deployed in other parts of our organization. Our 2016 Global Compact Report, available on europe.xpo.com at the Global Compact link under company information, communicates our implementation systems and tools and key 2015 outcomes with respect to environmental, human rights, labor and anti-corruption issues. XPO Logistics Europe has introduced a Corporate Social Responsibility independent audit procedure, which includes a review of the ethical and human resources practices of various of our branches, and received a score of 98.4% compliance in 2015. XPO Logistics Europe has been a partner of the French Environment and Energy Management Agency ("ADEME") for the past ten years and has been committed to cutting its carbon dioxide emissions under the CO_2 Charter since 2008. In fact, in 2009, XPO Logistics Europe introduced its own CO_2 calculator, which allows us to calculate carbon footprints for each customer and for each transport operation. In 2014, XPO Logistics Europe once again collaborated with the ADEME to draw up a new standard to certify transporters' performance with a "CO_2 Label."

Our Code of Business Ethics, available on our website, reflects our commitment to doing business the right way and describes our additional policies on environmental, social and governance ("ESG") issues. We expect our employees to uphold the standards set forth in our Code of Business Ethics every day. Our employees are trained in anti-bribery and anti-corruption best practices and we take extensive measures to ensure compliance with local laws and regulations. We do not tolerate any conduct that contributes to, encourages or facilitates human trafficking, child labor, forced compulsory labor or any other human rights abuses.

Our filings with the SEC provide information on the regulations governing and risks affecting our business operations. In addition to voluntary disclosures, we comply with the law by disclosing matters that are material to XPO. Our disclosures in our filings specifically highlight regulations and risks relating to environmental issues, classifications of independent contractors and labor management.

The stockholder proponent requests that we prepare an annual report describing responses to ESG issues affecting the company, addressing "relevant policies, practices, and metrics on topic, such as human capital management and greenhouse gas emissions" and providing "objective quantitative indicators and goals relating to each issue, where feasible."

Our Board of Directors believes that the preparation of such an overly prescribed report would be a premature, expensive and time-consuming exercise that is not warranted at this time, especially in light of our continued focus on these topics and the information already available on our website, in our Global Compact annual reports, in our filings with the SEC and in our Code of Business Ethics. We are also concerned that the cost of annually preparing such a formal report, both in dollars and in employee time, would outweigh the potential benefits of such a report.

Nevertheless, our Board of Directors and management will continue to monitor developments and practices with respect to ESG matters, including approaches and methodologies for evaluating, prioritizing, tracking and disclosing sustainability-related matters. Continued study by our Board and management provides a more effective approach to managing the environmental and social impacts of our operations than a one-time stockholder vote on a mandated, overly prescribed report of the kind contemplated by the stockholder proposal. We also provide disclosure in our proxy statement as to our approach for overseeing and managing risks related to our business, including relevant ESG risks. Significant or emerging risks, including as to ESG-related items, are periodically reviewed at the Board and management-level and our business, strategies, operations, policies, controls and prospects are regularly discussed by our Board and management team. More generally, the landscape of risks and opportunities as they relate to ESG issues is a rapidly evolving space. The scope, metrics, topics of interest to investors and other stakeholders, the legal and regulatory landscape and best and emerging practices in the United States and internationally are currently in a significant state of flux and evolution. Our system of risk oversight, which was designed specifically for our complex, global operations, in combination with continued study of ESG-related issues by our Board and management team, is, we believe, the best approach to staying at the forefront of these important issues.

Given our ongoing environmental and sustainability practices and our efforts to keep stockholders and the public informed of our practices through the use of our website, annual Global Compact reports and other public disclosures and filings, our Board of Directors believes that this proposal is not beneficial to our stockholders. Therefore, our Board of Directors recommends that our stockholders vote against this proposal.

Recommendation

Our Board of Directors recommends a vote "AGAINST" this stockholder proposal.

OTHER MATTERS

We do not expect that any matter other than the foregoing proposals will be brought before the 2017 annual meeting. If, however, such a matter is properly presented at the annual meeting or any adjournment or postponement of the annual meeting, the persons appointed as proxies will vote as recommended by our Board of Directors or, if no recommendation is given, in accordance with their judgment.

AVAILABILITY OF ANNUAL REPORT AND PROXY STATEMENT

If you would like to receive a copy of our 2016 Annual Report or this proxy statement, please contact us at: Investor Relations, XPO Logistics, Inc., Five American Lane, Greenwich, Connecticut 06831 or by telephone at (855) 976-6951, and we will send a copy to you without charge.

A Note about Our Website

Although we include references to our website (www.xpo.com) throughout this proxy statement, information that is included on our website is not incorporated by reference into, and is not a part of, this proxy statement. Our website address is included as an inactive textual reference only.

We use our website as one means of disclosing material non-public information and for complying with our disclosure obligations under the SEC's Regulation FD. Such disclosures typically will be included within the Investor Relations section of our website. Accordingly, investors should monitor such section of our website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

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

Form 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2016

OR

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

For the transition period from __________ to __________

Commission File Number: 001-32172

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

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

Five American Lane
Greenwich, Connecticut 06831
(Address of principal executive offices)

(855) 976-6951
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

The aggregate market value of the registrant's common stock, par value $0.001 per share, held by non-affiliates of the registrant was $2,850,700,780 as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing price of $26.26 per share on the NYSE on that date.

As of February 21, 2017, there were 111,456,669 shares of the registrant's common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2017 Annual Meeting of Stockholders (the "Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Annual Report, the Proxy Statement is not deemed to be filed as part hereof.

XPO LOGISTICS, INC.
FORM 10-K—FOR THE YEAR ENDED DECEMBER 31, 2016

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PART I

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K and other written reports and oral statements we make from time to time contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terms such as "anticipate," "estimate," "believe," "continue," "could," "intend," "may," "plan," "potential," "predict," "should," "will," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" or the negative of these terms or other comparable terms. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to a material difference include, but are not limited to, those discussed below and the risks discussed in the Company's other filings with the Securities and Exchange Commission (the "SEC"). All forward-looking statements set forth in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The following discussion should be read in conjunction with the Company's audited Consolidated Financial Statements and related Notes thereto included elsewhere in this Annual Report. Forward-looking statements set forth in this Annual Report speak only as of the date hereof, and we do not undertake any obligation to update forward-looking statements to reflect subsequent events or circumstances, changes in expectations or the occurrence of unanticipated events, except as required by law.

ITEM 1. *BUSINESS*

Company Overview

XPO Logistics, Inc., a Delaware corporation together with its subsidiaries ("XPO," the "Company," "we" or "our"), is a top ten global provider of cutting-edge supply chain solutions to the most successful companies in the world. The Company operates as a highly integrated network of people, technology and physical assets. We use our network to help customers manage their goods more efficiently throughout their supply chains. As of December 31, 2016, we served more than 50,000 customers and operated with over 87,000 employees and 1,425 locations in 34 countries.

We run our business on a global basis, with two segments: Transportation and Logistics. Within each segment, we have built robust service offerings that are positioned to capitalize on fast-growing areas of customer demand. Substantially all of our businesses operate under the single brand of XPO Logistics.

In our Transportation segment, we are the second largest freight brokerage provider globally, and we hold industry-leading positions in both North America and Europe. In North America, we are the largest provider of last mile logistics for heavy goods; the largest manager of expedite shipments; the second largest provider of less-than-truckload (LTL) transportation; the third largest provider of intermodal services; and a global freight forwarder with a growing network. In Europe, we have the largest owned road transportation fleet. We offer full truckload, freight brokerage and last mile services, and are the leading LTL provider in Western Europe. Our total lane density in Europe covers the regions that produce approximately 90% of the eurozone's GDP.

Our Transportation segment uses a blended model of owned, contracted and brokered capacity. This gives us the flexibility to offer solutions that best serve the interests of our customers and the Company. As of December 31, 2016, globally, we had more than 10,000 independent owner operators under contract to provide drayage, expedite, last mile and LTL services to our customers, and more than 50,000 independent brokered carriers representing approximately 1,000,000 trucks on the road.

We employ professional drivers who transport goods for customers using our owned and leased trucks and trailers. This includes a global fleet of approximately 16,000 tractors and 39,500 trailers primarily related to our LTL and full truckload operations. These assets also provide capacity for our freight brokerage operations. Our company overall is asset-light, with assets accounting for just under a third of our revenue.

In our Logistics segment, we provide a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution, cold chain solutions and other inventory management solutions. We perform e-commerce fulfillment, order personalization, warehousing, reverse logistics, storage, factory support, aftermarket support, manufacturing, distribution, packaging and labeling, as well as supply chain optimization services such as consulting and production flow management.

XPO operates approximately 157.5 million square feet (14.6 million square meters) of contract logistics facility space globally, with about 81.6 million square feet (7.6 million square meters) of that capacity in the United States, making us the second largest contract logistics provider globally.

Our global logistics footprint makes XPO particularly attractive to multinational customers. Once we secure a contract, the average tenure is approximately five years, and these relationships can lead to a wider use of our services, such as inbound and outbound logistics. Our logistics customers include the preeminent names in aerospace, retail and e-tail, technology, manufacturing, food and beverage, wireless, chemical, agribusiness, life sciences and healthcare.

Our contract logistics operations also benefit from a strong presence in the high-growth e-commerce sector. E-commerce is predicted to continue to grow globally at a double-digit rate through at least 2020 and, increasingly, order fulfillment is being outsourced. We are the largest outsourced e-fulfillment provider in Europe, and we have a major platform for e-fulfillment in North America where we provide highly customized solutions that include reverse logistics and omni-channel services.

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

Our customers are served by well-trained XPO employees who understand the importance of world-class service, and who use our leading-edge, proprietary technology to perform their jobs. We have a global team of approximately 1,600 IT professionals who drive innovation for the benefit of our customers. Our annual investment in technology is among the highest in our industry because we see the ongoing development of our technology as being critical to our ability to continually improve customer service and leverage our scale.

Transportation Services

The Company’s Transportation segment includes five service lines: freight brokerage, last mile, LTL, full truckload and global forwarding.

Freight Brokerage

Our freight brokerage operations encompass truck brokerage globally, as well as intermodal, drayage and expedite services in North America.

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

Our intermodal operations are asset-light: we provide container capacity - some of which utilizes our 9,900 leased or owned 53-ft. containers and 8,000 chassis - rail brokerage, drayage transportation via independent contractors, and on-site operational services. We contract with railroads to provide the long-haul portion of the shipment of freight in containers, and we contract with trucking companies for the local pickup and delivery legs of the intermodal freight movement. We also provide customized electronic tracking and analysis of market prices and negotiated rail, truck and intermodal rates, in order to determine the optimal transportation routes.

We offer our door-to-door intermodal services to a wide range of customers in North America, including large industrial and retail shippers, transportation intermediaries such as intermodal marketing companies, and steamship lines. As of December 31, 2016, XPO was the third largest provider of intermodal services in North America, with one of the largest U.S. drayage networks, and a leading provider of intermodal services in the cross-border Mexico sector.

Our expedite operations are predominantly non-asset-based: substantially all of the ground transportation equipment is provided by independent owner-operators who own one truck or van, or by independent fleet owners of multiple trucks or vans who employ multiple drivers. We are focused on developing strong, long-term relationships with our independent owner-operators and fleet owners, and incentivizing them to furnish their capacity to us on an exclusive basis. Expedite air charter service is arranged using the Company's relationships with third-party air carriers through our proprietary, web-based platform.

Our expedite services can be characterized as time-critical, time-sensitive or high priority freight shipments, many of which have special handling needs. This urgency typically arises due to tight tolerances in a customer’s supply chain, or an interruption or a failure elsewhere in the supply chain.

Expedite customers most often request our services on a per-load transactional basis through our offices or via our expedite transportation management portal, with only a small percentage of loads scheduled for future delivery dates. We operate an ISO

9001:2008-certified call center that gives our customers on-demand status updates relating to their expedited shipments. As of December 31, 2016, XPO was the largest manager of expedited freight shipments in North America.

Last Mile

Our last mile services are predominantly asset-light: we utilize independent contractors to perform transportation and over-the-threshold services. Last mile comprises the final stage of the delivery from a local distribution center or retail store to the end-consumer's home or business, where more services may be required. Last mile is a fast-growing industry sector that serves blue chip retailers, e-commerce companies and smaller retailers with limited in-house capabilities. Important aspects of last mile service are responsiveness to seasonal demand, economies of scale, and an ability to maintain a consistently high quality of customer experience.

In addition, the last mile process often requires incremental services such as pre-scheduled delivery times, unpacking, assembly, utility connection and installation, as well as removal of an old product. These additional services are commonly referred to as white-glove services. We use our proprietary technology platforms to collect customer feedback, monitor carrier performance, manage capacity, and communicate during narrow windows of service to ensure a consumer experience that protects the brands of our retail customers.

Our last mile operations in North America and Europe specialize in heavy goods, including appliances, furniture, large electronics and other goods that are larger-than-parcel. As of December 31, 2016, XPO was the largest provider of last mile services for heavy goods in North America.

Less-Than-Truckload (LTL)

In North America, our LTL operations are asset-based: we utilize employee drivers, our own fleet of tractors and trailers for line-haul, pick-up and delivery, and a network of terminals. We provide our customers with day-definite regional, inter-regional and transcontinental LTL freight services. As of December 31, 2016, XPO was the second largest provider of LTL services in North America, offering more next-day and two-day lanes than any other LTL network. Our coverage area in North America encompasses approximately 99% of all U.S. zip codes, with service in Canada.

In Europe, our LTL operations utilize a blended asset-based and asset-light model of Company fleet and contracted carrier capacity, with a network of terminals. We provide LTL services domestically in France, the United Kingdom and Spain. We also offer international LTL distribution across Europe.

Full Truckload

Our full truckload operations are asset-based: we provide customers in Europe with dedicated contract carrier services by utilizing our fleet of tractors and trailers. In addition, we provide transactional transportation of packaged goods, high cube products, and bulk goods. We provide full truckload services domestically in France, the United Kingdom, Spain, Poland, Romania, Italy, Portugal and Slovakia, and internationally across Europe. As of December 31, 2016, XPO was a leading provider of full truckload transportation in Europe.

Global Forwarding

Our global forwarding operations are asset-light: we provide logistics services for domestic, cross-border and international shipments through our relationships with ground, air and ocean carriers and a network of Company and agent-owned offices. Our forwarding capabilities are not restricted by size, weight, mode or location, and therefore are potentially attractive to a wide market base.

As part of our global forwarding network, we operate a subsidiary as a non-vessel operating common carrier ("NVOCC") to transport our customers' freight by contracting with vessel operators. We are also a customs broker, licensed by the U.S. Customs and Border Protection Service. This enables us to provide customs brokerage services to direct domestic importers, other freight forwarders, NVOCCs and vessel operating common carriers.

Logistics Services

The Company's Logistics segment, which we also refer to as supply chain, encompasses a range of contract logistics services, including highly engineered and customized solutions, as well as managed transportation services. As of December 31, 2016, XPO was the second largest global provider of contract logistics based on square footage, with one of the largest e-fulfillment platforms in Europe.

We provide our logistics customers with integrated services such as dedicated and shared warehousing, e-fulfillment order processing and personalization, reverse logistics, storage, factory support, aftermarket support, manufacturing, packaging, labeling and distribution. In addition, we utilize our technology and expertise to solve complex supply chain challenges and create transformative solutions for our customers, while reducing their operating costs and improving production flow management.

Our logistics customers primarily operate in industries with high-growth outsourcing opportunities, such as high tech, e-commerce, telecommunications, aerospace and defense, healthcare, medical equipment, agriculture, food and beverage, and select areas of manufacturing. These customers have demanding requirements for quality standards, real-time data visibility, special handling, security, the management of large numbers of stock keeping units ("SKUs"), time-assured deliveries and high transaction volumes, with seasonal surges in the case of retail goods.

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

Our Strategy

Our strategy is to use our highly integrated network of people, technology and physical assets to help customers manage their goods more efficiently throughout their supply chains. We deliver value to customers in the form of cost and risk reductions, process efficiencies, consistently reliable outcomes, technological innovations and customer service that is both highly responsive and proactive.

We continue to optimize our existing operations by growing our sales force, implementing advanced information technology, cross-selling our services and leveraging our Company-wide capacity. In addition, we maintain a disciplined and comprehensive set of processes related to the recruiting, training and mentoring of employees, and for marketing to the hundreds of thousands of prospective customers that can use our services. Most important to our growth, we have instilled a culture of collaboration that focuses our efforts on delivering the results that matter to our customers and Company.

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

Management's growth and optimization strategy for the Transportation segment is to:

- Market our diversified, multi-modal offering to customers of all sizes, both new and existing accounts;
- Cross-sell our Transportation segment solutions to customers of our Logistics segment;
- Provide world-class service and solutions that satisfy our customers' transportation-related supply chain goals;
- Recruit and retain quality drivers, and best utilize our transportation assets;
- Attract and retain quality independent owner-operators and independent brokered carriers for our carrier network;
- Recruit and retain quality sales and customer service representatives, and continuously improve employee productivity with state-of-the-art training and technology;
- Continue to develop cutting-edge transportation applications for our proprietary technology platform; and
- Integrate industry best practices with a focus on utilizing our advantages of scale to serve our customers and lower our administrative overhead.

Management's growth and optimization strategy for the Logistics segment is to:

- Develop additional business in verticals where the Company already has deep logistics expertise and a strong track record of successful relationships;
- Capture more share of spend with existing customers that potentially could use XPO for more of their logistics and/or broader supply chain needs;
- Expand our relationships with existing customers that have business interests in both North America, Europe and Asia;
- Cross-sell contract logistics and managed transportation solutions to customers of our Transportation segment;
- Market the advantages of XPO's proprietary technology and global network of logistics facilities;
- Provide world-class service and solutions that satisfy our customers' logistics-related supply chain goals; and
- Integrate industry best practices with a focus on utilizing our advantages of scale to serve our customers and lower our administrative overhead.

Information Systems and Intellectual Property

One of the ways in which we empower our employees to deliver world-class service is through our information technology ("IT"). We believe that technology is a compelling differentiator in our industry. Technology represents one of the Company's largest categories of investment within our annual capital expenditure budget, reflecting our belief that the continual enhancement of our cloud-based platform is critical to our success. We have an IT team of approximately 1,600 talented professionals who focus on driving innovation and advancing the effectiveness of our software.

In our Transportation segment, our proprietary Freight Optimizer software for truck brokerage provides actionable pricing information, as well as cost effective, timely and reliable access to carrier capacity. We believe that these capabilities give us a competitive advantage. In 2015, we launched our proprietary Rail Optimizer software that optimizes all aspects of intermodal operations, including shipment management, capacity flow and asset management, market-based pricing, and shipment execution with rail providers.

In last mile logistics, our proprietary software provides real-time workflow visibility and customer experience management with superior consumer satisfaction ratings. For expedite, we utilize satellite tracking and communication units on the independently contracted vehicles that transport goods for our customers, thus enabling real-time electronic updates. A large component of our expedite operations is our proprietary bidding platform, which awards loads electronically based on carriers' online bids and manages the transportation process almost entirely through technology.

In 2016, in our LTL operations, we introduced proprietary pricing systems and deployed new handheld and tablet devices to improve the efficiency of dock workers and drivers. New software releases planned in 2017 include line-haul efficiency measures, dock engineering standards, and pickup and delivery optimization, among other developments.

In our Logistics segment, we have developed proprietary technology for the design and implementation of sophisticated contract logistics solutions for our customers. These solutions are most often utilized by large, multi-national and medium-sized corporations and by government agencies with complex supply chain requirements. The warehouses we run are becoming high-tech hubs, with a combination of automated systems and robotics that have led to important new efficiencies for our customers. Our software supports services such as omni-channel distribution, reverse logistics, transportation management, freight bill audit and payment, lean manufacturing support, aftermarket support and supply chain optimization.

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

Customers, Sales and Marketing

Our Company provides services to a variety of customers ranging in size from small, entrepreneurial organizations to multi-national industry leaders. We have a diversified customer base that minimizes our concentration risk: in 2016, approximately 8% of our revenue was attributable to our top five clients, with our largest customer accounting for approximately 3% of revenue.

Our customers are engaged in a wide range of industries, including high tech, retail, e-commerce, manufacturing, telecommunications, aerospace and defense, life sciences, healthcare, medical equipment, agriculture, and food and beverage. In 2016, retail and e-commerce accounted for the largest portion of our global revenue at 26%, followed by food and beverage at 14%.

XPO is not reliant on the economy of any one country, region or industry. Our transportation services are primarily marketed in North America and Europe, whereas our logistics and global forwarding networks serve global markets with concentrations in North America, Europe and Asia. Based on where orders originated, approximately 60% of our 2016 revenue was generated in the United States, 13% in France, 12% in the United Kingdom, and 15% in other countries.

Competition

The transportation and logistics industry is highly competitive, with thousands of companies competing in domestic and international markets. XPO competes on service, reliability, scope and scale of operations, technological capabilities and price. Our competitors include local, regional, national and international companies that offer the same services we provide - some with larger customer bases, significantly more resources and more experience than we have. In some cases, our customers also have internal resources to provide some of the same transportation and logistics services we provide to them. Due in part to the fragmented nature of the industry, we must strive daily to retain existing business relationships and forge new relationships.

The health of the transportation and logistics industry will continue to be a function of domestic and global economic growth. However, we believe that we have structured the Company to derive additional benefits from the growth of e-commerce, and from a long-term outsourcing trend that should continue to help a number of our service sectors grow faster than the macro-environment.

Regulation

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

Regulation affecting Motor Carriers, Owner Operators and Transportation Brokers. In the United States, our subsidiaries that operate as motor carriers have licenses to operate as motor carriers from the Federal Motor Carrier Safety Administration ("FMCSA") of the U.S. Department of Transportation ("DOT"). In addition, our subsidiaries acting as property brokers have property broker licenses from the FMCSA. Our motor carrier subsidiaries and the third-party motor carriers we engage in the

United States must comply with the safety and fitness regulations of the DOT, including those relating to drug- and alcohol-testing, hours-of-service, records retention, vehicle inspection, driver qualification and minimum insurance requirements. Weight and equipment dimensions also are subject to government regulations. We also may become subject to new or more restrictive regulations relating to emissions, drivers' hours-of-service, independent contractor eligibility requirements, onboard reporting of operations, air cargo security and other matters affecting safety or operating methods. Other agencies, such as the U.S. Environmental Protection Agency ("EPA"), the Food and Drug Administration ("FDA"), the California Air Resources Board, and the U.S. Department of Homeland Security ("DHS"), also regulate our equipment, operations and independent contractor drivers. We and the third-party carriers we use are also subject to a variety of vehicle registration and licensing requirements of the state or other local jurisdictions in which they operate. In other foreign jurisdictions in which we operate, our operations are regulated, where necessary, by the appropriate governmental authority.

In 2010, the FMCSA introduced the Compliance Safety Accountability program ("CSA"), which uses a Safety Management System ("SMS") to rank motor carriers on seven categories of safety-related data, known as Behavioral Analysis and Safety Improvement Categories, or "BASICs," which data, it is anticipated, will eventually be used for determining a carrier's DOT safety rating under revisions to existing Safety Fitness Determination ("SFD") regulations. In December 2015, the Fixing America's Surface Transportation Act ("FAST Act") was signed into law, which requires the FMCSA to review the CSA program to ensure that it provides the most reliable analysis possible. During this review period, the FAST Act requires the FMCSA to remove a property carrier's CSA scores from public view. The FMCSA has since announced an SFD Notice of Proposed Rulemaking ("NPRM") that would revamp the current three-tier federal rating system for federally regulated commercial motor carriers.

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

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

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

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

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

Our subsidiaries offering expedited air charter transportation are subject to regulation by the Transportation Security Administration ("TSA") of DHS regarding air cargo security for all loads, regardless of origin and destination. XPO Global Forwarding, Inc. ("XGF"), XGFA and XPO Air Charter also are regulated as "indirect air carriers" by the DHS and TSA. These agencies provide requirements, guidance and, in some cases, administer licensing requirements and processes applicable to the freight forwarding industry. We must actively monitor our compliance with such agency requirements to ensure that we have satisfactorily completed the security requirements and qualifications and implemented the required policies and procedures. These agencies generally require companies to fulfill these qualifications prior to transacting various types of business. Failure to do so could result in penalties and fines. The air cargo industry is also subject to regulatory and legislative actions that could affect economic conditions within the industry by requiring changes to operating practices or by influencing the demand for and the costs of providing services to customers. We cannot predict the extent to which any such regulatory or legislative actions could adversely affect our business, but we strive to comply with all agency requirements.

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

Additionally, XGF, XGFA and XPO Ocean Lines, Inc. ("XOL"), are each registered as an Ocean Transportation Intermediary ("OTI") by the U.S. Federal Maritime Commission ("FMC"), which establishes the qualifications, regulations and bonding requirements to operate as an OTI for businesses originating and terminating in the United States. XGL and XOL are also licensed NVOCCs and ocean freight forwarders.

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

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

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

Environmental Regulations. Our facilities and operations and our independent contractors are subject to various environmental laws and regulations dealing with the hauling, handling and disposal of hazardous materials, emissions from vehicles, engine-idling, fuel tanks and related fuel spillage and seepage, discharge and retention of storm water, and other environmental matters that involve inherent environmental risks. Similar laws and regulations may apply in many of the foreign jurisdictions in which we operate. We have instituted programs to monitor and control environmental risks and maintain compliance with applicable environmental laws and regulations. We may be responsible for the cleanup of any spill or other incident involving hazardous materials caused by our operations or business. In the past, we have been responsible for the costs of cleanup of diesel fuel spills caused by traffic accidents or other events, and none of these incidents materially affected our business or operations. We generally transport only hazardous materials rated as low-to-medium-risk, and a small percentage of our total shipments contain hazardous materials. We believe that our operations are in substantial compliance with current laws and regulations and we do not know of any existing environmental condition that reasonably would be expected to have a material adverse effect on our business or operating results. We also do not expect to incur material capital expenditures for environmental controls in 2017. Future changes in environmental regulations or liabilities from newly discovered environmental conditions or violations (and any associated fines and penalties) could have a material adverse effect on our business, competitive position, results of operations, financial condition or cash flows. U.S. federal and state governments, as well as governments in certain foreign jurisdictions where we operate, have also proposed environmental legislation that could, among other things, potentially limit carbon, exhaust and greenhouse gas emissions. If enacted, such legislation could result in higher new tractor and trailer costs, reduced productivity and efficiency, and increased operating expenses, all of which could adversely affect our results of operations.

Risk Management and Insurance

The Company maintains insurance for commercial automobile liability, truckers' commercial automobile liability, commercial general liability, cargo/warehouse legal liability, workers' compensation and employers' liability, and umbrella and excess umbrella liability, with coverage limits, deductibles and self-insured retention levels that we believe are reasonable given the varying historical frequency, severity and timing of claims. Certain actuarial assumptions and management judgments are made for accruals for insurance reserves and are subject to a high degree of variability.

Seasonality

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

Employees

As of December 31, 2016, the Company had approximately 87,000 full-time and part-time employees. Our employee base is one of our most critical resources, and we view the recruitment, training and retention of qualified employees as being essential to our ongoing success. We believe that we have good relations with our employees, with strong programs in place for communication and professional development.

Executive Officers of the Registrant

We provide below information regarding each of our executive officers.

Name	Age	Position
Bradley S. Jacobs	60	Chairman of the Board and Chief Executive Officer
Troy A. Cooper	47	Chief Operating Officer and Chief Executive Officer - Europe
John J. Hardig	52	Chief Financial Officer
Scott B. Malat	40	Chief Strategy Officer
Mario A. Harik	36	Chief Information Officer

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

Troy Cooper has served as XPO's chief operating officer since May 2014, and additionally as chief executive officer and chairman of XPO Logistics Europe since September 2015. He joined the Company in September 2011 as vice president of finance. Prior to XPO, he served as vice president-group controller with United Rentals, Inc., where he was responsible for field finance functions and helped to integrate over 200 acquisitions in the United States, Canada and Mexico. Earlier, he held controller positions with United Waste Systems, Inc. and OSI Specialties, Inc. (formerly a division of Union Carbide, Inc.). Mr. Cooper began his career in public accounting with Arthur Andersen and Co. and has a degree in accounting from Marietta College.

John Hardig has served as XPO's chief financial officer since February 2012. Prior to XPO, Mr. Hardig served as managing director for the Transportation & Logistics investment banking group of Stifel Nicolaus Weisel from 2003 to 2012. Previously, Mr. Hardig was an investment banker in the Transportation and Telecom groups at Alex. Brown & Sons (now Deutsche Bank), and earlier worked as a design engineer with Ford Motor Company. Mr. Hardig holds a master of business administration degree from the University of Michigan Business School and a bachelor's degree from the U.S. Naval Academy.

Scott Malat has served as XPO's chief strategy officer since July 2012, after joining the Company in October 2011 as senior vice president of strategic planning. Prior to XPO, Mr. Malat was a senior equity research analyst covering the air, rail, trucking and shipping sectors for Goldman Sachs Group, Inc. Earlier, he served as an equity research analyst with UBS and a strategy manager with JPMorgan Chase & Co. Mr. Malat is a CFA® charterholder and has a degree in statistics with a concentration in business management from Cornell University.

Mario Harik has served as XPO's chief information officer since November 2011 with responsibility for the Company's global technology ecosystem. Mr. Harik has built comprehensive IT organizations, overseen the implementation of extensive proprietary platforms, and consulted *Fortune 100* companies. His prior positions include chief information officer and senior vice president of research and development with Oakleaf Waste Management; chief technology officer with Tallan, Inc.; co-founder of G3 Analyst, where he served as chief architect of web and voice applications; and architect and consultant with Adea Solutions. Mr. Harik holds a master of engineering degree in information technology from Massachusetts Institute of Technology, and a degree in engineering, computer and communications from the American University of Beirut, Lebanon.

Corporate Information and Availability of Reports

XPO Logistics, Inc. was incorporated in Delaware on May 8, 2000. Our executive office is located in the United States at Five American Lane, Greenwich, Connecticut 06831. Our telephone number is (855) 976-6951. Our stock is listed on the New York Stock Exchange ("NYSE") under the symbol XPO.

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

Item 1A. Risk Factors

The following are important factors that could affect our financial performance and could cause actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward-looking statements made in this Annual Report on Form 10-K or our other filings with the SEC or in oral presentations such as telephone conferences and webcasts open to the public. You should carefully consider the following factors and consider these in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our Consolidated Financial Statements and related Notes in Item 8.

Economic recessions and other factors that reduce freight volumes, both in North America and Europe, could have a material adverse impact on our business.

The transportation industry in North America and Europe historically has experienced cyclical fluctuations in financial results due to economic recession, downturns in the business cycles of our customers, increases in the prices charged by third-party carriers, interest rate fluctuations and other U.S. and global economic factors beyond our control. During economic downturns, reduced overall demand for transportation services will likely reduce demand for our services and exert downward pressures on our rates and margins. In periods of strong economic growth, demand for limited transportation resources can result in increased network congestion and operating inefficiencies. In addition, any deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and future prospects. These risks may include the following:

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

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

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

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

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

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

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

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

Our 2017 and mid-term financial targets are dependent on our ability to realize significant ongoing synergies with respect to our acquisitions, in particular the Norbert Dentressangle SA (“ND”) and Con-way Inc. (“Con-way”) acquisitions we completed in 2015. We may not realize all synergies we anticipate from the acquisitions we undertook. Among the synergies that we currently expect are cross-selling opportunities to our existing customers, network synergies and other operational synergies. Our estimated synergies from the acquisitions that we have undertaken are subject to a number of assumptions about the timing, execution and costs associated with realizing such synergies. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions turn out to be correct and, as a result, the amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from the ones that we currently estimate and we may incur significant costs in reaching the estimated synergies.

We may not successfully manage our growth.

We have grown rapidly and substantially over prior years, including by expanding our internal resources, making acquisitions, in particular in 2015, and entering into new markets, and we intend to continue to focus on rapid growth, primarily organically in 2017. We may experience difficulties and higher-than-expected expenses in executing this strategy as a result of unfamiliarity with new markets, changes in revenue and business models and entering into new geographic areas.

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

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

We rely heavily on our information technology systems to efficiently run our business, and they are a key component of our growth strategy. In general, we expect our customers to continue to demand more sophisticated, fully integrated information systems from their transportation providers. To keep pace with changing technologies and customer demands, we must correctly interpret and address market trends and enhance the features and functionality of our proprietary technology platform in response to these trends. This process of continuous enhancement may lead to significant ongoing software development costs. In addition, we may fail to accurately determine the needs of our customers or the trends in the transportation services industry or we may fail to design and implement the appropriate responsive features and functionality for our technology platform in a timely and cost-effective manner. Any such failures could result in decreased demand for our services and a corresponding decrease in our revenues.

Despite testing, external and internal risks, such as malware, insecure coding, “Acts of God,” data leakage and human error pose a direct threat to the stability or effectiveness of our information technology systems and operations. We may also be subject to cybersecurity attacks and other intentional hacking. Any failure to identify and address such defects or errors or prevent a cyber-attack could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation and increased service and maintenance costs. Addressing such issues could prove to be impossible or very costly and responding to resulting claims or liability could similarly involve substantial cost. In addition, recently, there has also been heightened regulatory and enforcement focus on data protection in the U.S. and abroad (particularly in the European Union), and failure to comply with applicable U.S. or foreign data protection regulations or other data protection standards may expose us to litigation, fines, sanctions or other penalties, which could harm our reputation and adversely impact our business, results of operations and financial condition.

We must maintain and enhance the reliability and speed of our information technology systems to remain competitive and effectively handle higher volumes of freight through our network and the various service modes we offer. If our information technology systems are unable to manage additional volume for our operations as our business grows, or if such systems are not suited to manage the various service modes we offer, our service levels and operating efficiency could decline. In addition, if we fail to hire and retain qualified personnel to implement, protect and maintain our information technology systems or if we fail to upgrade our systems to meet our customers’ demands, our business and results of operations could be seriously harmed. This could result in a loss of customers or a decline in the volume of freight we receive from customers.

We are developing proprietary information technology for all of our business segments. Our technology may not be successful or may not achieve the desired results and we may require additional training or different personnel to successfully implement this technology. Our technology development process may be subject to cost overruns or delays in obtaining the expected results, which may result in disruptions to our operations.

Our substantial indebtedness could adversely affect our financial condition.

We have substantial outstanding indebtedness, which could:

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

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

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

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

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

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

In our global forwarding, last mile and freight brokerage operations, we do not own or control the transportation assets that deliver our customers' freight, and we do not employ the people directly involved in delivering this freight. In addition, in our freight brokerage businesses (particularly our last mile delivery logistics operations, our over-the-road expedite operations and our intermodal drayage operations), we engage independent contractors who own and operate their own equipment. Accordingly, we are dependent on third-parties to provide truck, rail, ocean, air and other transportation services and to report certain events to us, including delivery information and cargo claims. This reliance on third-parties could cause delays in reporting certain events, including our ability to recognize revenue and claims in a timely manner.

Our inability to maintain positive relationships with independent transportation providers could significantly limit our ability to serve our customers on competitive terms. If we are unable to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms, our operating results could be materially and adversely affected and our customers could shift their business to our competitors temporarily or permanently. Our ability to secure sufficient equipment or other transportation services to meet our commitments to our customers or provide our services on competitive terms is subject to inherent risks, many of which are beyond our control, including the following:

- Equipment shortages in the transportation industry, particularly among contracted truckload carriers and railroads;
- Interruptions in service or stoppages in transportation as a result of labor disputes, seaport strikes, network congestion, weather-related issues, "Acts of God," or acts of terrorism;
- Changes in regulations impacting transportation;
- Increases in operating expenses for carriers, such as fuel costs, insurance premiums and licensing expenses, that result in a reduction in available carriers; and
- Changes in transportation rates.

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

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

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

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

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

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

Our business may be materially adversely affected by labor disputes.

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

Labor disputes involving our customers could affect our operations. If our customers are unable to negotiate new labor contracts and our clients' plants experience slowdowns or closures as a result, our revenue and profitability could be negatively impacted. In particular, our Logistics segment derives a substantial portion of its revenue from the operation and management of operating facilities, which are often located in close proximity to a client's manufacturing plant and are integrated into the client's production line process. We may experience significant revenue loss and shut-down costs, including costs related to early termination of leases, causing our business to suffer if clients suffer strikes or other labor disputes, close their plants or significantly modify their capacity or supply chains at a plant that our Logistics segment services.

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

Efforts by labor organizations to organize employees at certain locations in North America, if successful, may result in increased costs and decreased efficiencies at those locations.

Since 2014, in the United States, the International Brotherhood of Teamsters ("Teamsters") has attempted to organize employees at several LTL locations and one supply chain location that have become part of the Company's operations through acquisitions. Additionally, the International Association of Machinists ("Machinists") has attempted to organize a small number of mechanics at two LTL maintenance shops. The majority of employees involved in those organizing efforts rejected union representation. As of January 31, 2017, approximately 124 employees at two LTL locations and approximately 125 employees at one supply chain location have voted for Teamsters representation, and the results of those three elections have been certified by the National Labor Relations Board. At one LTL location, the parties have been in negotiations for an initial contract since February 2015. At the remaining locations, the parties will soon start negotiations. In addition, as of January 31, 2017, an aggregate of approximately 225 employees at three additional LTL locations voted for Teamsters representation, and approximately 11 employees at one LTL location voted for Machinists representation. We are contesting the results of these four elections. We cannot predict with certainty whether further organizing efforts may result in the unionization of any additional locations domestically. If successful, these efforts may result in increased costs and decreased efficiencies at the specific locations where representation is elected. We do not expect the impact, if any, to extend to our larger organization or the service of our customer base.

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

We are involved in numerous lawsuits, including putative class action lawsuits, multi-plaintiff and individual lawsuits, and state tax and other administrative proceedings that claim that our contract carriers or owner-operators or their drivers should be treated as our employees, rather than independent contractors, or that certain of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. In addition, we incur certain costs, including legal fees, in defending the status of these parties as independent contractors.

While we believe that our contract carriers and owner-operators and their drivers are properly classified as independent contractors rather than as employees, adverse decisions have been rendered recently in certain cases pending against us, including with respect to class certification of certain contract carriers and determinations that certain of our contract carriers and owner-operators are improperly classified. Certain of these decisions are subject to appeal, but we cannot provide assurance that we will determine to pursue any appeal or that any such appeal will be successful. Adverse final outcomes in these matters could, among other things, entitle certain of our contract carriers and owner-operators and their drivers to reimbursement with respect to certain expenses and to the benefit of wage-and-hour laws and result in employment and withholding tax and benefit liability for us, and could result in changes to the independent contractor status of our contract carriers and owner-operators. Changes to state laws governing the definition of independent contractors could also impact the status of our contract carriers and owner-operators. Adverse final outcomes in these matters or changes to state laws could cause us to change our business model, which could have a material adverse effect on our business strategies, financial condition, results of operations or cash flows. These claims involve potentially significant classes that could involve thousands of claimants and, accordingly, significant potential damages and litigation costs, and could lead others to bring similar claims.

The results of these matters cannot be predicted with certainty and an unfavorable resolution of one or more of these matters, or our failure to recover, in full or in part, under the indemnity provisions noted above, could have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

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

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

XPO Logistics Europe also makes significant use of temporary staff. We cannot guarantee that temporary employees are as well-trained as our other employees. Specifically, we may be exposed to the risk that temporary employees may not perform their assignments in a satisfactory manner or may not comply with our safety rules in an appropriate manner, whether as a result of their lack of experience or otherwise. If such risks materialize, they could have a material adverse effect on our business and financial condition.

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

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

An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us.

We use a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of employee medical, vehicular, cargo and workers' compensation claims. Our estimated liability for self-retained insurance claims reflects certain actuarial assumptions and judgments, which are subject to a high degree of variability. We periodically evaluate the level of insurance coverage and adjust insurance levels based on targeted risk tolerance and premium expense. An increase in the number and/or severity of self-insured claims or an increase in insurance premiums could have an adverse effect on us.

We expect costs associated with providing benefits under employee medical plans and postretirement medical plans to increase due to health care reform legislation. Changes made to the design of our medical plans have the potential to mitigate some of the cost impact of the provisions included in the legislation. Ultimately, the cost of providing benefits under our medical plans is dependent on a variety of factors, including governmental laws and regulations, health care cost trends, claims experience and health care decisions by plan participants. As a result, we are unable to predict how the cost of providing benefits under medical plans will affect our financial condition, results of operations or cash flows.

We are subject to risks associated with defined benefit plans for our current and former employees, which could have a material adverse effect on our earnings and financial position.

Following our acquisitions of ND and Con-way, we now maintain defined benefit pension plans and a postretirement medical plan. Our defined benefit pension plans include funded and unfunded plans in the United States and the United Kingdom. A decline in interest rates and/or lower returns on funded plan assets may cause increases in the expense and funding requirements for these defined benefit pension plans and for our postretirement medical plan. Despite past amendments that froze our defined benefit pension plans to new participants and curtailed benefits, these pension plans remain subject to volatility associated with interest rates, inflation, returns on plan assets, other actuarial assumptions and statutory funding requirements. In addition to being subject to volatility associated with interest rates, our postretirement medical plan remains subject to volatility associated with actuarial assumptions and trends in healthcare costs. Any of the aforementioned factors could lead to a significant increase in the expense of these plans and a deterioration in the solvency of these plans, which could significantly increase the Company's contribution requirements. As a result, we are unable to predict the effect on our financial statements associated with our defined benefit pension plans and our postretirement medical plan.

Because of our floating rate credit facilities, we may be adversely affected by interest rate changes.

Both the Second Amended and Restated Revolving Loan Credit Agreement (the "ABL Facility") and the senior secured term loan credit agreement (the "Term Loan Facility") provide for an interest rate based on LIBOR or a Base Rate, as defined in the agreements, plus an applicable margin. Our financial position may be affected by fluctuations in interest rates since the ABL Facility and Term Loan Facility are subject to floating interest rates. Refer to **Item 7A. Quantitative and Qualitative Disclosures about Market Risk** for the impact on interest expense of a hypothetical 100-basis-point increase in the interest rate. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could have an adverse effect on our financial position and results of operations.

We are exposed to currency exchange rate fluctuations because a significant proportion of our assets, liabilities and earnings are denominated in foreign currencies.

We present our financial statements in U.S. dollars but we have a significant proportion of our net assets and income in non-U.S. dollar currencies, primarily the euro and pounds sterling ("GBP"). Consequently, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on our financial results as further discussed below under **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**.

The economic uncertainties relating to eurozone monetary policies may cause the value of the euro to fluctuate against other currencies. Currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or in Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in currency exchange rates could adversely affect our business and financial condition and the business of the combined company.

The United Kingdom’s expected exit from the European Union could have a material adverse effect on our business and results of operations.

Following a referendum in June 2016 in which voters in the United Kingdom (“U.K.”) approved an exit from the European Union (“EU”), it is expected that the U.K. government will initiate a process to leave the EU (often referred to as “Brexit”) and begin negotiating the terms of the U.K.’s future relationship with the EU. The likely exit of the U.K. from the EU will have uncertain impacts on our transportation and logistics operations in Europe. In 2016, we derived approximately 36% of our revenue in Europe, including 12% in the U.K. Any adverse consequences of Brexit, such as a deterioration in the U.K.'s and/or EU's economic condition, currency exchange rates, bilateral trade agreements or regulation of trade, including the potential imposition of tariffs, could reduce demand for our services in the U.K. and/or the EU, or otherwise have a negative impact on our operations, financial condition and results of operations.

We may not be able to successfully execute our growth strategy through acquisitions.

We may continue to expand through acquisitions to take advantage of market opportunities we perceive in the transportation and logistics markets, as well as new markets that we may enter. However, if we choose to make acquisitions in the future, we may experience delays or be unable to make the acquisitions we desire for a number of reasons. Suitable acquisition candidates may not be available at purchase prices that are attractive to us or on terms that are acceptable to us. In pursuing acquisition opportunities, we will compete with other companies, some of which have greater financial and other resources than we do.

We are unable to predict the size, timing and number of acquisitions we may complete. In addition, we may incur expenses associated with sourcing, evaluating and negotiating acquisitions (including those that are not completed), and we also may pay fees and expenses associated with obtaining financing for acquisitions and with investment banks and others finding acquisitions for us. Any of these amounts may be substantial, and together with the size, timing and number of acquisitions we pursue, may negatively impact us and cause significant volatility in our financial results.

Sales or issuances of a substantial number of shares of our common stock may adversely affect the market price of our common stock.

We may fund any future acquisitions or our capital requirements from time to time, in whole or part, through sales or issuances of our common stock or equity-based securities, subject to prevailing market conditions and our financing needs. Future equity financing will dilute the interests of our then-existing stockholders, and future sales or issuances of a substantial number of shares of our common stock or other equity-related securities may adversely affect the market price of our common stock.

We do not own, and may not acquire, all of the outstanding shares of XPO Logistics Europe SA, the majority-owned subsidiary through which we conduct our European operations.

We currently own 86.25% of the outstanding shares of XPO Logistics Europe, the majority-owned subsidiary through which we conduct our European operations. We may not acquire the remaining shares of XPO Logistics Europe. French law only permits “squeeze out” mergers when a holder owns more than 95% of the outstanding shares. If we do not wholly-own XPO Logistics Europe, we will not have access to all of its cash flow to service our debt, as we will only receive a prorated portion of any dividend based on our ownership percentage. In addition, we will be subject to limitations on our ability to enter into transactions with XPO Logistics Europe that are not on arms-length terms, which could limit synergies that we could otherwise achieve between our North American and European operations. We also may not be able to consolidate XPO Logistics Europe for tax purposes, and XPO Logistics Europe would be forced to continue as a listed public company in France, thereby incurring certain recurring costs.

Volatility in fuel prices impacts our fuel surcharge revenues and may impact our profitability.

We are subject to risks associated with the availability and price of fuel, which are subject to political, economic and market factors that are outside of our control.

Fuel expense constitutes one of the greatest costs to our LTL and full truckload carrier operations, as well as to our fleet of independent contractor drivers and third-party transportation providers who complete the physical movement of freight arranged by our other business operations. Accordingly, we may be adversely affected by the timing and degree of fluctuations and volatility in fuel prices. As is customary in our industry, most of our customer contracts include fuel-surcharge revenue programs or cost-recovery mechanisms to mitigate the effect of the fuel price increase over base amounts established in the contract. However, these fuel surcharge mechanisms may not capture the entire amount of the increase in fuel prices, and they also feature a lag between the payment for fuel and collection of the surcharge revenue. Market pressures may limit our ability to assess fuel surcharges in the future. The extent to which we are able to recover in full for fuel cost changes may also vary depending on the degree to which we are not compensated due to empty and out-of-route miles or from engine idling during cold or warm weather.

Decreases in fuel prices reduce the cost of transportation services and accordingly, will reduce our revenues and may reduce margins for certain lines of business. Significant changes in the price or availability of fuel in future periods, or significant changes in our ability to mitigate fuel price increases through the use of fuel surcharges, could have a material adverse impact on our operations, fleet capacity and ability to generate both revenues and profits.

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

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

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

Our failure to obtain, maintain and enforce our intellectual property rights could therefore have a material adverse effect on our business, financial condition and results of operations.

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

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

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

Failure to comply with trade compliance laws and regulations applicable to our operations may subject us to liability and result in mandatory or voluntary disclosures to government agencies of transactions or dealings involving sanctioned countries, entities or individuals.

As a result of our acquisition activities, we acquired companies with business operations outside the U.S., some of which were not previously subject to certain U.S. laws and regulations, including trade sanctions administered by the U.S. Department of Treasury, Office of Foreign Assets Control ("OFAC"). In the course of implementing our compliance processes with respect to the operations of these acquired companies, we have identified a number of transactions or dealings involving countries and entities that are subject to U.S. economic sanctions. As disclosed in our Quarterly Reports on Form 10-Q for the periods ended

June 30, 2016, and September 30, 2016, we filed initial voluntary disclosure of such matters with OFAC in August 2016. We are continuing to investigate and intend to cooperate with regulatory authorities regarding these matters and to file a full report with OFAC when our investigation is complete. As we investigate, we may identify additional transactions or dealings involving sanctioned countries, entities, or individuals. The transactions or dealings that we have identified to date, or other transactions or dealings that we may identify in the future, could result in negative consequences to us, including government investigations, penalties and reputational harm.

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

Under applicable SEC rules, our Chairman and Chief Executive Officer, Mr. Bradley S. Jacobs, beneficially owns approximately 15% of our outstanding common stock as of December 31, 2016. This concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with concentrated stockholders. Our preferred stock votes together with our common stock on an "as-converted" basis on all matters, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of shares of the preferred stock. Accordingly, Mr. Jacobs can exert substantial influence over our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders. Additionally, significant fluctuations in the levels of ownership of our largest stockholders, including shares beneficially owned by Mr. Jacobs, could impact the volume of trading, liquidity and market price of our common stock.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

As of December 31, 2016, XPO and its subsidiaries operated approximately 1,425 locations, primarily in North America and Europe, including approximately 200 locations owned or leased by our customers. These facilities are located in all 48 states of the contiguous United States as well as globally.

We lease our current executive office located in Greenwich, Connecticut, as well as our national operations center in Charlotte, North Carolina. As of December 31, 2016, we owned a shared-services center in Portland, Oregon and the facility at which we conduct a portion of our expedited transportation operations in Buchanan, Michigan. In addition, we owned 142 freight service centers for our LTL business and 42 properties throughout Europe. We believe that our facilities are sufficient for our current needs and are in good condition in all material respects.

ITEM 3. *LEGAL PROCEEDINGS*

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business. These proceedings may include, among other matters, claims for property damage or personal injury incurred in connection with the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contract. These proceedings also include numerous purported class-action lawsuits, multi-plaintiff and individual lawsuits and state tax and other administrative proceedings that claim either that our owner operators or contract carriers should be treated as employees, rather than independent contractors, or that certain of our drivers were not paid for all compensable time or were not provided with required meal or rest breaks. We are currently engaged in several alleged independent contractor misclassification claims or other wage and hour claims involving certain companies that we have acquired in our last mile, LTL, and intermodal businesses. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both. For additional information about these matters, please refer to **Note 5—Commitments and Contingencies** of Item 8, "Financial Statements and Supplementary Data."

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

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

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

Price Range of Common Stock

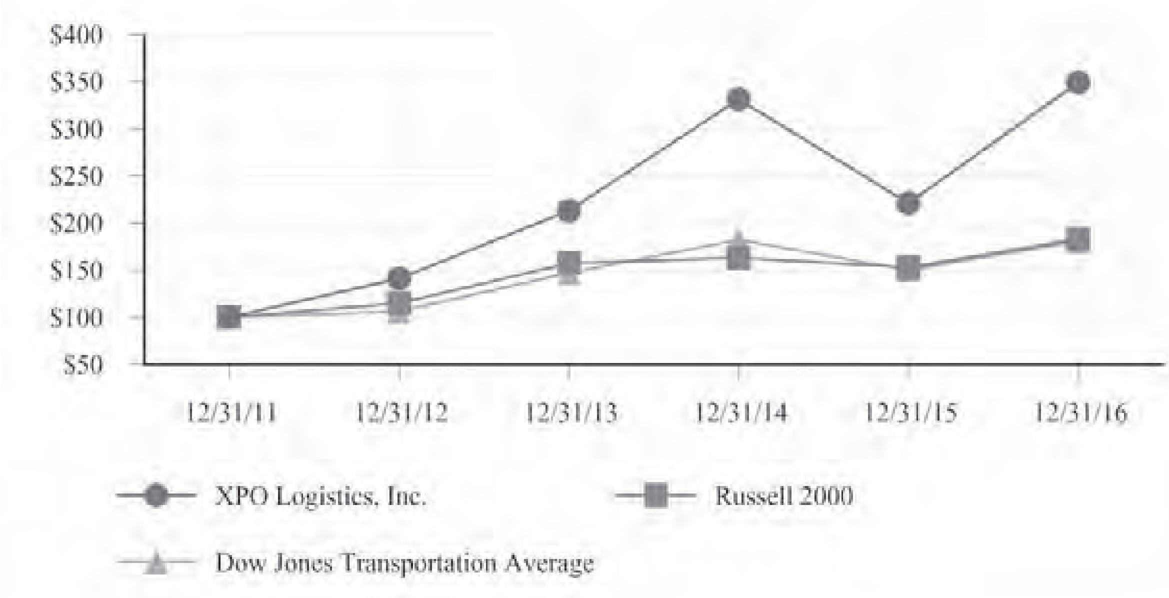
Our common stock is listed on the NYSE under the symbol "XPO." The table below provides the high and low closing sales prices for our common stock for the quarters included within 2016 and 2015.

	2016			
	First	Second	Third	Fourth
High	$ 32.01	$ 33.89	$ 37.22	$ 49.35
Low	19.56	23.30	24.43	32.17

	2015			
	First	Second	Third	Fourth
High	$ 47.26	$ 50.56	$ 46.74	$ 33.50
Low	35.57	41.58	21.62	25.04

As of February 21, 2017, there were approximately 219 record holders of our common stock, based upon data available to us from our transfer agent. We have never paid, and have no immediate plans to pay, cash dividends on our common stock. We currently plan to retain future earnings, if any, for use in the development of our business and to enhance stockholder value through growth and continued focus on improving profitability. In addition, our current credit agreement imposes, and we expect that any future credit agreement we enter into will impose, restrictions on our ability to pay cash dividends on our common stock. Accordingly, we do not anticipate paying any cash dividends on our common stock in the near future.

The graph below compares the cumulative 5-year total return of holders of our common stock with the cumulative total returns of the Russell 2000 Index and the Dow Jones Transportation Average Index. The graph tracks the performance of a $100 investment in our common stock and in each index from December 31, 2011 to December 31, 2016.



	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
XPO Logistics, Inc.	$ 100	$ 141	$ 213	$ 331	$ 221	$ 349
Russell 2000	$ 100	$ 115	$ 157	$ 163	$ 153	$ 183
Dow Jones Transportation Average	$ 100	$ 106	$ 147	$ 182	$ 150	$ 180

Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended December 31, 2016, the Company issued an aggregate of 2,734 shares of its common stock, par value $0.001 per share, to certain holders of the Company's 4.50% Convertible Senior Notes due October 1, 2017 (the "Convertible Senior Notes") in connection with the conversion of $45,000 aggregate principal amount of the Convertible Senior Notes. The number of shares of our common stock issued in the foregoing transactions equals the number of shares of our common stock presently issuable to holders of the Convertible Senior Notes upon conversion under the original terms of the Convertible Senior Notes. During the quarter ended December 31, 2016, pursuant to the Investment Agreement dated as of June 13, 2011 (the "Investment Agreement"), by and among Jacobs Private Equity, LLC ("JPE"), and the other investors party thereto (collectively with JPE, the "Investors"), the Company issued 96,468 unregistered shares of its common stock as a result of the cashless exercise of warrants by a shareholder. The issuance of these shares was exempt from the registration requirements of the Securities Act of 1933, as amended, in accordance with Section 4(a)(2) thereof, as a transaction by an issuer not involving any public offering. The Company did not receive any proceeds from the above transactions.

ITEM 6. *SELECTED FINANCIAL DATA*

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

	Year Ended December 31,				
(In millions, except per share data)	2016	2015	2014	2013	2012
Operating Results:					
Revenue	$ 14,619.4	$ 7,623.2	$ 2,356.6	$ 702.3	$ 278.6
Operating income (loss)	488.1	(28.6)	(40.9)	(52.3)	(28.0)
Income (loss) before income taxes	106.8	(282.5)	(89.7)	(71.0)	(31.5)
Net income (loss)	84.5	(191.6)	(63.6)	(48.5)	(20.3)
Net income (loss) attributable to common shareholders	63.1	(245.9)	(107.4)	(51.5)	(23.3)
Per Share Data:					
Basic earnings (loss) per share	$ 0.57	$ (2.65)	$ (2.00)	$ (2.26)	$ (1.49)
Diluted earnings (loss) per share	$ 0.53	$ (2.65)	$ (2.00)	(2.26)	(1.49)
Weighted-average common shares outstanding					
Basic	110.2	92.8	53.6	22.8	15.7
Diluted	122.8	92.8	53.6	22.8	15.7
Financial Position:					
Property and equipment, net	$ 2,537.4	$ 2,852.2	$ 221.9	$ 56.6	$ 13.1
Total assets	$ 11,698.4	$ 12,643.2	$ 2,749.4	$ 777.1	$ 409.3
Long-term debt, less current portion	$ 4,731.5	$ 5,272.6	$ 580.3	$ 178.6	$ 105.1
Preferred stock	$ 41.6	$ 42.0	$ 42.2	$ 42.7	$ 42.8
Total equity	$ 3,037.6	$ 3,060.8	$ 1,655.1	$ 455.9	$ 245.1

Net income (loss) attributable to XPO for the years ended December 31, 2015 and December 31, 2014 reflect beneficial conversion charges of $52.0 million on the Series C Preferred Stock and $40.9 million on the Series B Preferred Stock, respectively, that were recorded as deemed distributions during the third quarter of 2015 and the fourth quarter of 2014, respectively.

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

The Company is organized into two reportable segments: Transportation and Logistics. The Transportation segment provides freight brokerage, last mile, LTL, full truckload, and global forwarding services. The Logistics segment provides a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution, cold chain solutions and other inventory solutions.

The Company's Chief Executive Officer, who is the chief operating decision maker ("CODM"), regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

XPO Logistics, Inc.
Consolidated Summary Financial Table
For the Year Ended December 31,

				Percent of Revenue		
(Dollars in millions)	2016	2015	2014	2016	2015	2014
Revenue	$ 14,619.4	$ 7,623.2	$ 2,356.6	100.0 %	100.0 %	100.0 %
Cost of transportation and services	7,886.0	4,171.4	1,701.8	53.9 %	54.7 %	72.2 %
Direct operating expense	4,594.1	2,367.0	273.2	31.4 %	31.0 %	11.6 %
SG&A expense	1,651.2	1,113.4	422.5	11.3 %	14.6 %	17.9 %
Operating income (loss)	488.1	(28.6)	(40.9)	3.4 %	(0.3)%	(1.7)%
Other expense (income)	(9.2)	(7.6)	0.4	(0.1)%	(0.1)%	— %
Foreign currency loss (gain)	(40.3)	44.8	0.4	(0.3)%	0.6 %	— %
Debt extinguishment loss	69.7	—	—	0.5 %	— %	— %
Interest expense	361.1	216.7	48.0	2.5 %	2.8 %	2.0 %
Income (loss) before income tax provision (benefit)	106.8	(282.5)	(89.7)	0.8 %	(3.6)%	(3.7)%
Income tax provision (benefit)	22.3	(90.9)	(26.1)	0.2 %	(1.2)%	(1.1)%
Net income (loss)	$ 84.5	$ (191.6)	$ (63.6)	0.6 %	(2.4)%	(2.6)%

Consolidated Results

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Our consolidated revenue for 2016 increased 91.8% to $14,619.4 million from $7,623.2 million in 2015. This increase was driven by the 2015 acquisitions of ND, Con-way, BTT and UX, as well as organic growth. On October 30, 2015, XPO acquired Con-way Inc. ("Con-way"). Headquartered in Ann Arbor, Michigan, Con-way was a *Fortune 500* company with a transportation and logistics network of 582 locations and approximately 30,000 employees serving over 36,000 customers. On June 8, 2015, XPO acquired a majority interest in Norbert Dentressangle SA ("ND"), a leading provider of transportation and logistics services in Western Europe.

The increase in cost of transportation services of 89.0% from 2015 to 2016 was primarily the result of the acquisitions of ND, Con-way and BTT. As a percentage of revenue, cost of transportation and services decreased to 53.9% in 2016 compared to 54.7% in 2015, primarily as a result of a shift in the mix of our business with a more significant component of our revenue being attributable to the LTL and European transportation service offerings following the acquisitions of ND and Con-way. Cost of transportation and services typically represents a lower percentage of revenue in these service offerings than in our legacy asset-light transportation services. Cost of transportation and services is primarily attributable to the cost of providing or procuring freight transportation services for XPO customers, salaries paid to employee drivers in our full truckload and LTL businesses, and commissions paid to independent station owners in our global forwarding business.

Direct operating expense for 2016 was $4,594.1 million, or 31.4% as a percentage of revenue, compared to $2,367.0 million, or 31.0% as a percentage of revenue, for 2015. Direct operating expense increased primarily due to the acquisitions of ND and Con-way and growth to support the last mile business. Direct operating expenses are both fixed and variable expenses and consist of operating costs related to our contract logistics facilities, intermodal equipment lease expense, depreciation expense, maintenance and repair costs, property taxes, operating costs of our local drayage and last mile warehousing facilities, the direct costs related to the LTL service centers and European pallet network, such as direct labor, facilities and forklift trucks, and fixed terminal and cargo handling expenses. Operating costs of our contract logistics facilities consist mainly of personnel costs, facility and equipment expenses, materials and supplies, information technology expenses, depreciation expense and other operating expenses related to our contract logistics facilities. Intermodal equipment maintenance and repair costs consist of the costs related to the maintenance of the intermodal equipment fleet. Operating costs of our local drayage and last mile warehousing facilities consist mainly of personnel costs, rent, maintenance, utilities and other facility related costs. Operating costs of our LTL facilities consist mainly of personnel costs, rent and depreciation of service center equipment. Fixed terminal and cargo handling costs primarily relate to the fixed rent and storage expense charged by terminal operators.

Sales, general and administrative expense (“SG&A”) increased to $1,651.2 million in 2016 from $1,113.4 million in 2015 primarily due to SG&A associated with acquisitions. SG&A as a percentage of revenue decreased to 11.3% in 2016 as compared to 14.6% in 2015. The decrease is attributable to a reduction in acquisition-related costs, a change in the mix of the Company's business operations resulting from the acquisition of Con-way, and the cost saving measures being implemented as part of the integration of acquired businesses, particularly in our LTL service offering. SG&A consists of costs relating to customer acquisition, carrier procurement, billing, customer service, salaries and related expenses of the executive and administrative staff, acquisition-related costs, office expenses, technology services, professional fees and other purchased services relating to the aforementioned functions, and depreciation and amortization expense.

Foreign currency gain was $40.3 million in 2016 compared to foreign currency loss of $44.8 million in 2015. The gain in 2016 was primarily due to a $39.7 million gain on unrealized foreign currency option and forward contracts. The loss in 2015 was primarily due to $31.7 million foreign currency transaction and remeasurement losses on the cash held to purchase ND and a $9.7 million loss on the forward contract related to the ND acquisition.

The debt extinguishment loss of $69.7 million in 2016 includes $35.2 million from the redemption of the Senior Notes due 2019, $18.0 million from the refinancing of the Term Loan, and $16.5 million from the repurchase of Term Loan debt.

Interest expense for 2016 increased 66.6% to $361.1 million from $216.7 million in 2015. The increase in interest expense was primarily attributable to the increased indebtedness incurred by the Company in order to fund the 2015 acquisitions of Con-way and ND. Average total indebtedness increased approximately 72% from 2015 to 2016, consistent with the increase in interest expense.

Our effective income tax rates in 2016 and 2015 were 20.9% and 32.2%, respectively. The 2016 effective tax rate was lower than the U.S. statutory tax rate primarily due to a revaluation of deferred tax liabilities resulting from an enacted tax law change in France that lowers the statutory tax rate, a release of previously provided uncertain tax benefits due to a favorable non-U.S. tax audit settlement, and the recognition of excess tax benefits in 2016. The 2015 effective tax rate was lower than the U.S. statutory tax rate primarily due to a pretax book loss and changes in the geographic earnings mix. For both periods, the effective income tax rates reflect the Company’s intention to permanently reinvest earnings of its foreign subsidiaries.

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

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

The increase in cost of transportation services of 145.1% from 2014 to 2015 was primarily the result of the acquisitions of ND, Con-way and BTT. As a percentage of revenue, cost of transportation and services decreased to 54.7% in 2015 compared to 72.2% in 2014, primarily as a result of a shift in the mix of our business with a more significant component of our revenue being attributable to our Logistics segment following the acquisitions of ND and Con-way. Cost of transportation and services typically represents a substantially lower percentage of revenue in our Logistics segment than in our Transportation segment due to the more limited proportional role of transportation services provided to our Logistics segment customers.

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

SG&A expense increased by $690.9 million in 2015 compared to 2014. As a percentage of revenue, SG&A expense decreased to 14.6% in 2015 as compared to 17.9% in 2014. SG&A expense increased primarily due to SG&A expense associated with new acquisitions and increased intangible amortization related to acquisitions.

Foreign currency loss increased to $44.8 million from $0.4 million in 2014. The increase was primarily due to $31.7 million foreign currency transaction and remeasurement losses on the cash held to purchase ND and a $9.7 million loss on the forward contract related to the ND acquisition.

Interest expense for 2015 increased 351.5% to $216.7 million from $48.0 million in 2014. The increase in interest expense was primarily attributable to the increased indebtedness incurred by the Company in order to fund the 2015 acquisitions of Con-way and ND.

Our effective income tax rates in 2015 and 2014 were 32.2% and 29.1%, respectively. The effective tax rates were influenced by various non-deductible transaction costs and costs related to conversions of our convertible debt, the change in valuation allowances, and the mix of income among the various jurisdictions in which the Company does business. For both periods, our effective income tax rates reflect the Company's intention and ability to permanently reinvest earnings of its foreign subsidiaries.

Transportation
Summary Financial Table
For the Year Ended December 31,

				Percent of Revenue		
(Dollars in millions)	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Revenue	$ 9,457.3	$ 4,924.4	$ 2,140.0	100.0%	100.0%	100.0%
Cost of transportation and services	6,796.4	3,718.8	1,701.8	71.9%	75.5%	79.5%
Direct operating expense	1,199.2	507.1	90.0	12.7%	10.3%	4.2%
SG&A expense						
Salaries & benefits	560.2	340.7	175.0	5.9%	6.9%	8.2%
Other SG&A expense	153.6	129.4	56.4	1.6%	2.6%	2.6%
Purchased services	147.5	44.7	20.4	1.6%	0.9%	1.0%
Depreciation & amortization	162.4	132.1	77.5	1.7%	2.7%	3.6%
Total SG&A expense	1,023.7	646.9	329.3	10.8%	13.1%	15.4%
Operating income	$ 438.0	$ 51.6	$ 18.9	4.6%	1.1%	0.9%

Note: Total depreciation and amortization for the Transportation segment included in cost of transportation and services, direct operating expense and SG&A was $449.1 million, $226.5 million and $79.5 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Transportation

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue in our Transportation segment increased by 92.0% to $9,457.3 million in 2016 compared to $4,924.4 million in 2015. This increase was driven largely by the acquisitions of ND, Con-way, BTT and UX, as well as organic growth led by the last mile business.

The increase in cost of transportation services of 82.8% from 2015 to 2016 was primarily the result of the acquisitions of ND, Con-way and BTT. As a percentage of revenue, cost of transportation and services decreased to 71.9% in 2016 compared to 75.5% in 2015, primarily the result of lower relative cost of transportation and services within the total cost structure of the acquired asset-based businesses.

Direct operating expense for 2016 was $1,199.2 million, or 12.7% as a percentage of revenue, compared to $507.1 million, or 10.3% as a percentage of revenue, for 2015. Direct operating expense and the related percentage of revenue increased primarily due to the acquisitions of ND, Con-way, BTT and UX and growth to support the last mile business.

SG&A increased to $1,023.7 million in 2016 from $646.9 million in 2015. The increase in SG&A expense was primarily due to the contribution of SG&A associated with new acquisitions and transaction and integration costs. As a percentage of revenue, SG&A expense decreased to 10.8% in 2016 as compared to 13.1% in 2015 as a result of the cost saving measures being implemented as part of the integration of acquired businesses, particularly in our LTL service offering.

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

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

The increase in cost of transportation services of 118.5% from 2014 to 2015 was primarily the result of the acquisitions of ND, Con-way and BTT. As a percentage of revenue, cost of transportation and services decreased to 75.5% in 2015 compared to 79.5% in 2014, primarily the result of lower relative cost of transportation and services within the total cost structure of the acquired asset-based businesses.

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

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

Logistics
Summary Financial Table
For the Year Ended December 31,

				Percent of Revenue		
(Dollars in millions)	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Revenue	$ 5,323.9	$ 2,768.4	$ 216.6	100.0%	100.0%	100.0%
Cost of transportation and services	1,246.8	521.6	—	23.4%	18.8%	—%
Direct operating expense	3,395.5	1,859.5	183.2	63.8%	67.2%	84.6%
SG&A expense						
Salaries & benefits	230.2	165.1	6.3	4.3%	6.0%	2.9%
Other SG&A expense	76.3	34.3	1.8	1.4%	1.2%	0.8%
Purchased services	79.4	39.3	1.1	1.5%	1.4%	0.5%
Depreciation & amortization	86.2	67.0	6.6	1.6%	2.4%	3.0%
Total SG&A expense	472.1	305.7	15.8	8.8%	11.0%	7.2%
Operating income	$ 209.5	$ 81.6	$ 17.6	4.0%	3.0%	8.2%

Note: Total depreciation and amortization for the Logistics segment included in cost of transportation and services, direct operating expense and SG&A was $192.3 million, $136.9 million and $16.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Logistics

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue in our Logistics segment increased by 92.3% to $5,323.9 million in 2016 compared to $2,768.4 million in 2015. This increase was driven by the acquisitions of ND and Con-way.

The increase in cost of transportation services of 139.0% from 2015 to 2016 was primarily the result of the acquisitions of ND and Con-way. As a percentage of revenue, cost of transportation and services increased to 23.4% in 2016 compared to 18.8% in 2015, primarily as a result of the higher relative cost of transportation and services within the acquired businesses, which include managed transportation services that the Logistics segment did not previously provide.

Direct operating expense in 2016 was $3,395.5 million, or 63.8% as a percentage of revenue, compared to $1,859.5 million, or 67.2% as a percentage of revenue, in 2015. Direct operating expense increased due to the acquisitions of ND and Con-way, while direct operating expense as a percentage of revenue declined due to cost saving measures being implemented as part of the integration of acquired businesses.

SG&A increased to $472.1 million in 2016 from $305.7 million in 2015. The increase in SG&A was due to the contribution of SG&A associated with the acquisitions of ND and Con-way. As a percentage of revenue, SG&A expense decreased to 8.8% in 2016 compared to 11.0% in 2015. The decrease is attributable to a change in the mix of the Company's business operations resulting from the acquisition of Con-way and the cost savings measures being implemented as part of the integration of acquired businesses.

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

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

The increase in cost of transportation services from 2014 to 2015 was primarily the result of the acquisitions of ND and Con-way. As a percentage of revenue, cost of transportation and services increased to 18.8% in 2015 compared to 0.0% in 2014, as a result of the acquisitions of ND and Con-way. New Breed, acquired by XPO in 2014, did not have cost of transportation and services.

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

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

Liquidity and Capital Resources

Refinancing of Existing Term Loan

On August 17, 2016, the Company completed the pricing of a $1.6 billion refinancing of its existing term loan agreement. The term loan was issued at par with an interest rate of LIBOR plus 3.25%, with a 1.0% LIBOR floor, maturing on October 30, 2021. The proceeds were used to replace the Company's existing $1.6 billion term loan, which bore interest at LIBOR plus 4.5%, with a 1.0% LIBOR floor. The terms of the new term loan facility are otherwise substantially consistent with the term loan that was replaced.

In addition, the Company borrowed an additional $400.0 million of Incremental Term B-1 Loans (the “Incremental Term B-1 Loans”) and an additional $50.0 million of Incremental Term B-2 Loans (the “Incremental Term B-2 Loans”). The New Term Loans, Incremental Term B-1 Loans and Incremental Term B-2 Loans have identical terms, other than with respect to original issue discount, and will mature on October 30, 2021.

Issuance of Senior Notes Due 2023

On August 25, 2016, the Company completed a private placement of $535.0 million in aggregate principal amount of 6.125% senior notes due September 1, 2023 (“Senior Notes due 2023”). The Senior Notes due 2023 bear interest at a rate of 6.125% per annum payable semiannually, in cash in arrears, on March 1 and September 1 of each year, commencing March 1, 2017 and mature on September 1, 2023.

Redemption of Senior Notes due 2019

On September 12, 2016 (the “Redemption Date”), the Company redeemed all of its outstanding 7.875% Notes due 2019 (the “2019 Notes”) issued under the Indenture, dated as of August 25, 2014, between XPO and The Bank of New York Mellon Trust Company, N.A., as Trustee. The redemption price for the 2019 Notes was 103.938% of the principal amount of the 2019 Notes, plus accrued and unpaid interest to, but excluding, the Redemption Date.

North American Truckload Operations

On October 27, 2016, pursuant to a Stock Purchase Agreement of the same date between the Company and a subsidiary of TransForce Inc. (“TransForce”), the Company divested its North American Truckload operations (formerly known as Con-way Truckload) for approximately $558.0 million cash consideration, subject to certain adjustments. On November 3, 2016, the Company used the proceeds from sale of the North American Truckload operations to repurchase $555.0 million of Term Loan debt at par.

General

As of December 31, 2016, we had $342.0 million of working capital, including cash and cash equivalents of $373.4 million, compared to working capital of $262.8 million, including cash and cash equivalents of $289.8 million, as of December 31, 2015. This increase of $79.2 million in working capital during the period was mainly due to an increase in cash and accounts receivable, partially offset by an increase in accrued expenses.

We continually evaluate our liquidity requirements, capital needs and the availability of capital resources based on our operating needs and our planned growth initiatives. In addition to using existing cash balances and net cash provided by operating activities, in certain circumstances we may use debt financings and issuances of equity or equity-related securities to fund our operating needs and growth initiatives. We believe that cash generated from operations, our existing cash balance, and availability of capacity to draw down under our ABL Facility will be sufficient to support our existing operations over the next 12 months.

Cash Flow

During 2016, the Company generated $625.4 million of cash from operations compared to $90.8 million generated in 2015 and $21.3 million used in 2014. Cash flows from operations increased in 2016 primarily due to the improvement in profitability. An increase in the Company's accounts receivable reduced our cash from operations by $153.7 million in 2016 compared to $7.8 million of cash provided in 2015.

Investing activities provided $142.0 million of cash in 2016 compared to $4,085.4 million used in 2015 and $858.3 million used in 2014. During 2016, the Company received $547.7 million from the sale of its North American Truckload operations, used $483.4 million of cash to purchase fixed assets and received $68.9 million from the sale of assets. During 2015, the Company used $3,887.0 million of cash in acquisitions, $249.0 million to purchase fixed assets and received $60.3 million from the sale of assets. During 2014, the Company used $814.0 million of cash in acquisitions and $44.6 million to purchase fixed assets.

Financing activities used $680.8 million in 2016 compared to $3,644.9 million generated in 2015 and $1,502.2 million generated in 2014. The primary use of cash in 2016 was the $1,889.2 million repurchase of debt and the $151.4 million repayment of debt and capital leases. The main source of cash from financing activities in 2016 was the $1,352.0 million of net proceeds from the issuance of long-term debt. In 2015, our primary source of cash was the $4,108.9 million of net proceeds from the issuance of long-term debt and $1,228.1 million of net proceeds from the issuance of preferred and common stock. The primary uses of cash from financing activities were the repayment of $1,215.6 million of debt and the purchase of the noncontrolling interest in ND of $459.7 million. During 2014, the Company received $1,097.4 million of net proceeds from the issuance of preferred and common stock and $489.6 million of net proceeds from the issuance of long-term debt.

Debt Facilities

On October 30, 2015, the Company entered into the Second Amended and Restated Revolving Loan Credit Agreement (the “ABL Facility”) among XPO and certain of XPO’s U.S. and Canadian wholly owned subsidiaries (which include the U.S. subsidiaries of the former Con-way), as borrowers, the other credit parties from time to time party thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as agent for such lenders. The ABL Facility replaced XPO’s existing Amended Credit Agreement, and, among other things, (i) increased the commitments under the ABL Facility to $1.0 billion, (ii) permitted the acquisition of Con-way and the transactions relating thereto, (iii) reduced the margin on loans under the ABL Facility by 0.25% from that contained in the existing Amended Credit Agreement and (iv) matures on October 30, 2020. Up to $350 million of the ABL Facility is available for issuance of letters of credit, and up to $50 million of the ABL Facility is available for swing line loans. At December 31, 2016, the Company had a borrowing base of $986.5 million and availability under the ABL Facility of $717.4 million after considering outstanding advances of $30.0 million and outstanding letters of credit of $239.1 million. As of December 31, 2016, the Company was in compliance with the ABL Facility’s financial covenants.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2016:

(Dollars in millions)	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
Capital leases payable	$ 101.9	$ 18.3	$ 34.5	$ 18.2	$ 30.9
Operating leases	2,144.3	542.1	737.3	385.6	479.3
Purchase commitments	158.6	59.0	70.8	28.8	—
Long-term debt	5,044.2	121.7	333.2	2,055.6	2,533.7
Interest on long-term debt	1,640.3	275.3	515.4	484.0	365.6
Total contractual cash obligations	$ 9,089.3	$ 1,016.4	$ 1,691.2	$ 2,972.2	$ 3,409.5

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

Off-Balance Sheet Arrangements

The Company guarantees the lease payments of certain tractor and trailer equipment utilized by subcontract carriers. These guarantees continue through the end of the lease of the equipment, which is typically four years. The maximum amount of the guarantee is limited to the amount of unpaid principal and interest. As of December 31, 2016, the maximum amount of these guarantees was approximately $20.8 million.

Critical Accounting Estimates

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that impact the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period.

We review our estimates for, including but not limited to: defined benefit pension plans, recoverability of long-lived assets, income taxes, goodwill, and self-insurance accruals, on a regular basis and make adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates are reasonable and has discussed them with the audit committee of our board of directors. However, actual results could differ from these estimates. **Note 2** to our Consolidated Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. The following is a discussion of our critical accounting estimates.

Defined Benefit Pension Plans

Defined benefit pension plan benefits are calculated using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligation and fair value of plan assets represent our best estimates based on information available regarding historical experience and factors that may cause future expectations to differ from past experiences. Differences in actual experience or changes in assumptions could materially impact our obligation and future expense amounts.

Discount Rate

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

In determining the appropriate discount rate for the UK Plan, we are assisted by consultants who utilize a yield-curve model based on the iBoxx universe of high-grade corporate bonds (rated AA or better by Moody’s, S&P or Fitch rating services). The model determines a single equivalent discount rate by applying the yield curve to expected future benefit payments.

The discount rates used in determining the benefit obligation are as follows:

	2016	2015
U.S. Plans	4.35%	4.65%
UK Plan	2.70%	3.75%

Rate of Return on Plan Assets

For the U.S. Qualified Plans, we set the expected return on plan assets using current market expectations and historical returns. The expected return on plan assets is based on estimates of long-term expected returns and considers the plans' anticipated asset allocation over the course of the next year. The expected return includes the effect of actively managing the plan assets, and is net of fees and expenses. The plan assets are managed pursuant to a long-term allocation strategy that seeks to mitigate the plans' funded status volatility by increasing the plans' investment in fixed-income investments over time. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities of the plans. For the year ended December 31, 2016, our expected return on plan assets was $88.4 million for U.S. Qualified Plans and $58.4 million for the UK Plan, compared to the actual return on plan assets of $140.8 million for U.S. Qualified Plans and $291.4 million for the UK Plan. The actual annualized return on plan assets for the U.S. Qualified Plans for the year ended December 31, 2016 was approximately 9%, which was above the expected return on asset assumption for the year as a result of strong performance of the fixed income portfolio, which made up approximately three-fourths of total plan assets. The actual annualized return on plan assets for the UK Plan for the year ended December 31, 2016 was approximately 24%, which was above the expected return on asset assumption for the year as a result of strong performance across all asset classes.

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

Actuarial Gains and Losses

Changes in the discount rate and/or differences between the expected and actual rate of return on plan assets results in unrecognized actuarial gains or losses. For our defined benefit pension plans, accumulated unrecognized actuarial losses were $35.8 million for the U.S. Plans and $28.9 million for the UK Plan at December 31, 2016. The portion of the unrecognized actuarial gain/loss that exceeds 10% of the greater of the projected benefit obligation or the fair value of plan assets at the beginning of the year is amortized and recognized as income/expense over the estimated average remaining life expectancy of plan participants.

Effect on Operating Results

The effects of the defined benefit pension plans on our operating results consist primarily of the net effect of the interest cost on plan obligations for the U.S. Plans and the UK Plan and the expected return on plan assets for the funded defined benefit pension plans. We estimate that the defined benefit pension plans will result in annual income of $15.4 million for the U.S. Plans and $26.0 million for the UK Plan in 2017. We recognized net periodic benefit income of $27.5 million in 2016 and $8.2 million in 2015.

Significant Assumption Sensitivity

The sensitivity analysis below shows the effect on 2017 estimated net periodic benefit income from a 25 basis point change in the assumed discount rate:

(Dollars in millions)	25 Basis Point Increase		25 Basis Point Decrease	
Discount rate	U.S. Plans	UK Plan	U.S. Plans	UK Plan
Effect on 2017 estimated net periodic benefit expense (income)	$ 4.5	$ 3.1	$ (4.5)	$ (3.1)

The sensitivity analysis below shows the effect on 2017 estimated net periodic benefit income from a 25 basis point change in the expected return on plan assets:

(Dollars in millions)	25 Basis Point Increase		25 Basis Point Decrease	
Expected return on plan assets	U.S. Qualified Plans	UK Plan	U.S. Qualified Plans	UK Plan
Effect on 2017 estimated net periodic benefit expense (income)	$ (4.3)	$ (3.0)	$ 4.3	$ 3.0

Funding

In determining the amount and timing of pension contributions for the U.S. Plans, we consider our cash position, the funded status as measured by the Pension Protection Act of 2006 (the "PPA") and generally accepted accounting principles, and the tax deductibility of contributions, among other factors. We made contributions of $5.4 million and $0.9 million to the U.S. Non-Qualified Plans in 2016 and 2015, respectively. We estimate that we will make $5.4 million of contributions to the U.S. Non-Qualified Plans in 2017. We made no contributions to the U.S. Qualified Plans in 2016 and 2015. We do not anticipate making any contributions to the U.S. Qualified Plans in 2017.

For the UK Plan, the amount and timing of pension contributions is determined in accordance with UK pension codes and trustee negotiations. We made contributions of $14.2 million and $10.3 million to the UK Plan in 2016 and 2015, respectively. We estimate that we will make $12.7 million of contributions to the UK Plan in 2017.

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

Recoverability of Long-Lived Assets

The depreciation or amortization of our capital assets over their estimated useful lives, and the determination of any salvage values, requires management to make judgments about future events. Because we utilize many of our capital assets over relatively long periods, we periodically evaluate whether adjustments to our estimated service lives or salvage values are necessary to ensure these estimates properly match the economic use of the asset. This evaluation may result in changes in the estimated lives and residual values used to depreciate our tractors, trailers and other equipment. These estimates affect the amount of depreciation expense recognized in a period and, ultimately, the gain or loss on the disposal of the asset. Changes in the estimated lives of assets will result in an increase or decrease in the amount of depreciation recognized in future periods and could have a material impact on our results of operations. Historically, gains and losses on disposals of operating equipment have not been material. However, such amounts may differ materially in the future due to changes in business levels, technological obsolescence, accident frequency, regulatory changes and other factors beyond our control.

Income Taxes

Our annual effective tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions quarterly as new information becomes available. Our income tax rate is affected by the mix of income between our domestic and foreign operations. In general, deferred tax liabilities have not been recorded for foreign earnings because it is our practice and intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. Due to the uncertainty caused by various methods in which such earnings could be repatriated, it is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

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

Evaluation of Goodwill Impairment

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. Goodwill is tested for impairment annually or more frequently if an event or circumstance indicates that an impairment loss may have been incurred. Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; and a determination of the fair value of each reporting unit.

We estimate the fair value of our reporting units using an income approach based on the present value of estimated future cash flows. We review goodwill for impairment utilizing a two-step process. The first step of the impairment test requires a comparison of the fair value of each of our reporting units' net assets to the respective carrying value of net assets. If the carrying value of a reporting unit's net assets is less than its fair value, no indication of impairment exists and a second step is not performed. If the carrying amount of a reporting unit's net assets is higher than its fair value, there is an indication that an impairment may exist and a second step must be performed. In the second step, the impairment is calculated by comparing the implied fair value of the reporting unit's goodwill (as if purchase accounting were performed on the testing date) with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess and charged to operations.

Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates and other market data. Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value of a reporting unit, and therefore could affect the likelihood and amount of potential impairment.

We completed our goodwill impairment test for our identified reporting units as of August 31, 2016. Based on the analysis prepared, the fair value of our reporting units substantially exceeded the carrying value at the testing date.

Self-Insurance Accruals

The Company uses a combination of self-insurance programs and large-deductible purchased insurance to provide for the costs of medical, vehicular, cargo and workers' compensation claims. The long-term portion of self-insurance accruals relates primarily to workers' compensation and vehicular claims that are expected to be payable over several years. The Company periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense. The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported. The Company believes the actuarial methods are appropriate for measuring these highly judgmental self-insurance accruals. However, based on the magnitude of claims and the length of time from incurrence of the claims to ultimate settlement, the use of any estimation method is sensitive to the assumptions and factors described above. Accordingly, changes in these assumptions and factors can materially affect the estimated liability and those amounts may be different than the actual costs paid to settle the claims.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

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

Interest Rate Risk

Term Loan Facility. At December 31, 2016, we had outstanding $1,481.9 million aggregate principal amount on our Term Loan Facility. The interest rate fluctuates based on LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin of 3.25%, in the case of LIBOR loans, and 2.25%, in the case of Base Rate loans. A hypothetical 100-basis-point increase in the interest rate would increase our annual interest expense by $14.8 million.

ABL Facility. We have exposure to changes in interest rates on our ABL Facility. The interest rates on our ABL Facility fluctuate based on LIBOR or a Base Rate plus an applicable margin. Assuming our $1.0 billion ABL Facility was fully drawn at

December 31, 2016, a hypothetical 100-basis-point change in the interest rate would have increased our annual interest expense by $7.5 million.

Asset Financing. At December 31, 2016, we had outstanding $145.0 million aggregate principal amount of Asset Financing. While most of the Asset Financing has floating interest rates that subjects us to risk resulting from changes in short-term (primarily Euribor) interest rates, we use interest rate swaps (exchanging a variable rate for a fixed rate) to manage the fixed and floating interest rate mix of our Asset Financing and limit our exposure to interest rate risk.

Foreign Currency Exchange Risk

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

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

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

As of December 31, 2016, a uniform 10% strengthening in the value of the USD relative to the EUR would have resulted in a decrease in net assets of approximately $34.1 million. As of December 31, 2016, a uniform 10% strengthening in the value of the USD relative to the GBP would have resulted in a decrease in net assets of approximately $40.1 million. These theoretical calculations assume that an instantaneous, parallel shift in exchange rates occurs, which is not consistent with our actual experience in foreign currency transactions. Fluctuations in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' services become more or less attractive. The sensitivity analysis of the impact of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

Commodity Price Risk

We are exposed to the impact of market fluctuations in the price of diesel fuel purchased for use in Company-owned vehicles. During the year ended December 31, 2016, diesel prices varied by 24.5% in France, 24.7% in the United Kingdom, and 30.6% in the United States. However, the Company includes price adjustment clauses or cost-recovery mechanisms in many of its customer contracts in the event of a change in the fuel purchase price. The clauses mean that substantially all fluctuations in the purchase price of diesel, except for short-term economic fluctuations, can be passed on to customers in the sales price. Therefore, a hypothetical 10% change in the price of diesel would not be expected to materially alter our financial performance over the long term.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

The Consolidated Financial Statements and supplementary data of the Company required by this Item are included at Part IV, Item 15 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2016, our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures as of December 31, 2016 were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016 based on the framework in *Internal Control - Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2016.

KPMG LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an audit report, which is included elsewhere within this Form 10-K, on the effectiveness of our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

Except as described below, there have not been any changes in the Company's internal control over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. During the quarter ended December 31, 2016, we completed the control integration for our 2015 acquisitions of UX Specialized Logistics, LLC, Bridge Terminal Transport Services, Inc., Norbert Dentressangle SA, and Con-way Inc.

ITEM 9B. *OTHER INFORMATION*

Not applicable.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by Item 10 of Part III of Form 10-K (other than certain information required by Item 401 of Regulation S-K with respect to our executive officers, which is provided under Item 1 of Part I of this Annual Report on Form 10-K) will be set forth in our definitive Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

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

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 11 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

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

The information required by Item 12 of Part III of Form 10-K, including information regarding security ownership of certain beneficial owners and management and information regarding securities authorized for issuance under equity compensation plans, will be set forth in our Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE*

The information required by Item 13 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required by Item 14 of Part III of Form 10-K will be set forth in our Proxy Statement for the 2017 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

Financial Statements and Financial Statement Schedules

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

Exhibits

The exhibits listed on the accompanying Exhibit Index starting on page 85 of this Annual Report on Form 10-K are filed or incorporated by reference as part of this Annual Report on Form 10-K and such Exhibit Index is incorporated herein by reference.

SIGNATURES

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

February 28, 2017

XPO LOGISTICS, INC.

By: /s/ Bradley S. Jacobs

Bradley S. Jacobs
(Chairman of the Board of Directors and Chief Executive Officer)

By: /s/ John J. Hardig

John J. Hardig
(Chief Financial Officer)

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

Signature	Title	Date
/s/ Bradley S. Jacobs **Bradley S. Jacobs**	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	February 28, 2017
/s/ John J. Hardig **John J. Hardig**	Chief Financial Officer (Principal Financial Officer)	February 28, 2017
/s/ Lance A. Robinson **Lance A. Robinson**	Global Chief Accounting Officer (Principal Accounting Officer)	February 28, 2017
/s/ Gena L. Ashe **Gena L. Ashe**	Director	February 28, 2017
/s/ Louis DeJoy **Louis DeJoy**	Director	February 28, 2017
/s/ Michael G. Jesselson **Michael G. Jesselson**	Director	February 28, 2017
/s/ Adrian P. Kingshott **Adrian P. Kingshott**	Director	February 28, 2017
/s/ Jason D. Papastavrou **Jason D. Papastavrou**	Director	February 28, 2017
/s/ Oren G. Shaffer **Oren G. Shaffer**	Director	February 28, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
XPO Logistics, Inc.:

We have audited the accompanying consolidated balance sheets of XPO Logistics, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, cash flows and changes in equity for each of the years in the three-year period ended December 31, 2016. We also have audited XPO Logistics, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). XPO Logistics, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on XPO Logistics, Inc.'s internal control over financial reporting 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of XPO Logistics, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, XPO Logistics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Charlotte, North Carolina
February 28, 2017

XPO Logistics, Inc.
Consolidated Balance Sheets

(In millions, except share and per share data)	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 373.4	$ 289.8
Accounts receivable, net of allowances of $26.3 and $16.9, respectively	2,313.3	2,266.4
Other current assets	386.9	401.0
Total current assets	3,073.6	2,957.2
Property and equipment, net of $589.9 and $209.3 in accumulated depreciation, respectively	2,537.4	2,852.2
Goodwill	4,325.8	4,610.6
Identifiable intangible assets, net of $377.1 and $210.2 in accumulated amortization, respectively	1,534.7	1,876.5
Deferred tax asset	2.7	113.6
Other long-term assets	224.2	233.1
Total long-term assets	8,624.8	9,686.0
Total assets	$ 11,698.4	$ 12,643.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,056.3	$ 1,063.7
Accrued expenses	1,382.1	1,291.8
Current maturities of long-term debt	136.5	135.3
Other current liabilities	156.7	203.6
Total current liabilities	2,731.6	2,694.4
Long-term debt	4,731.5	5,272.6
Deferred tax liability	572.4	933.3
Employee benefit obligations	251.4	312.6
Other long-term liabilities	373.9	369.5
Total long-term liabilities	5,929.2	6,888.0
Stockholders' equity:		
Convertible perpetual preferred stock, $.001 par value; 10,000,000 shares authorized; 72,235 and 72,885 of Series A shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	41.6	42.0
Common stock, $.001 par value; 300,000,000 shares authorized; 111,087,027 and 109,523,493 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	0.1	0.1
Additional paid-in capital	3,244.9	3,212.3
Accumulated deficit	(392.9)	(465.0)
Accumulated other comprehensive loss	(193.7)	(72.3)
Total stockholders' equity before noncontrolling interests	2,700.0	2,717.1
Noncontrolling interests	337.6	343.7
Total equity	3,037.6	3,060.8
Total liabilities and equity	$ 11,698.4	$ 12,643.2

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Operations

	Year Ended December 31,		
(In millions, except per share data)	2016	2015	2014
Revenue	$ 14,619.4	$ 7,623.2	$ 2,356.6
Operating expenses			
Cost of transportation and services	7,886.0	4,171.4	1,701.8
Direct operating expense	4,594.1	2,367.0	273.2
Sales, general and administrative expense	1,651.2	1,113.4	422.5
Total operating expenses	14,131.3	7,651.8	2,397.5
Operating income (loss)	488.1	(28.6)	(40.9)
Other expense (income)	(9.2)	(7.6)	0.4
Foreign currency loss (gain)	(40.3)	44.8	0.4
Debt extinguishment loss	69.7	—	—
Interest expense	361.1	216.7	48.0
Income (loss) before income tax provision (benefit)	106.8	(282.5)	(89.7)
Income tax provision (benefit)	22.3	(90.9)	(26.1)
Net income (loss)	84.5	(191.6)	(63.6)
Net (income) loss attributable to noncontrolling interests	(15.5)	0.5	—
Net income (loss) attributable to XPO	$ 69.0	$ (191.1)	$ (63.6)
Earnings per share data:			
Net income (loss) attributable to common shareholders (Note 16)	$ 63.1	$ (245.9)	$ (107.4)
Basic earnings (loss) per share (Note 16)	$ 0.57	$ (2.65)	$ (2.00)
Diluted earnings (loss) per share (Note 16)	$ 0.53	$ (2.65)	$ (2.00)
Weighted-average common shares outstanding			
Basic weighted-average common shares outstanding	110.2	92.8	53.6
Diluted weighted-average common shares outstanding	122.8	92.8	53.6

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Comprehensive Loss

	Year Ended December 31,		
(In millions)	2016	2015	2014
Net income (loss)	$ 84.5	$ (191.6)	$ (63.6)
Other comprehensive income (loss)			
Foreign currency translation losses	$ (137.7)	$ (68.5)	$ —
Unrealized gains (losses) on financial assets/liabilities designated as hedging instruments, net of tax effect of $0.1, $2.2 and $0.0	(7.1)	6.9	—
Change in defined benefit plans liability, net of tax benefit of $3.7, $9.8 and $0.0	4.7	(17.0)	—
Other comprehensive loss	(140.1)	(78.6)	—
Comprehensive loss	$ (55.6)	$ (270.2)	$ (63.6)
Less: Comprehensive loss attributable to noncontrolling interests	3.2	6.8	—
Comprehensive loss attributable to XPO	$ (52.4)	$ (263.4)	$ (63.6)

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
(In millions)	2016	2015	2014
Operating activities			
Net income (loss)	$ 84.5	$ (191.6)	$ (63.6)
Adjustments to reconcile net income (loss) to net cash from operating activities			
Depreciation and amortization	643.4	364.9	98.3
Stock compensation expense	54.5	27.9	7.5
Accretion of debt	17.0	6.4	7.3
Deferred tax benefit	(20.9)	(91.9)	(30.0)
Loss on extinguishment of debt	69.7	—	—
Unrealized (gain) loss on foreign currency option and forward contracts	(39.7)	1.0	—
Other	7.4	9.4	11.2
Changes in assets and liabilities:			
Accounts receivable	(153.7)	7.8	(143.9)
Other assets	17.2	(35.3)	9.2
Accounts payable	1.7	(51.3)	53.9
Accrued expenses and other liabilities	(55.7)	43.5	28.8
Cash flows provided (used) by operating activities	625.4	90.8	(21.3)
Investing activities			
Acquisition of businesses, net of cash acquired	—	(3,887.0)	(814.0)
Proceeds from sale of business, net of $10.5 cash divested	547.7	—	—
Loss on forward contract related to acquisition	—	(9.7)	—
Payment for purchases of property and equipment	(483.4)	(249.0)	(44.6)
Proceeds from sale of assets	68.9	60.3	—
Other	8.8	—	0.3
Cash flows provided (used) by investing activities	142.0	(4,085.4)	(858.3)
Financing activities			
Proceeds from preferred stock and common stock offerings	—	1,260.0	1,131.3
Payment for equity issuance costs	—	(31.9)	(33.9)
Proceeds from issuance of long-term debt	1,377.8	4,151.8	500.0
Payment of debt issuance costs	(25.8)	(42.9)	(10.4)
Repurchase of debt	(1,889.2)	—	—
Repayment of long-term debt and capital leases	(151.4)	(1,215.6)	—
Proceeds from borrowings on revolving credit facility	360.0	—	130.0
Repayment of borrowings on revolving credit facility	(330.0)	—	(205.0)
Bank overdrafts	(16.5)	(12.3)	—
Purchase of noncontrolling interests	(1.4)	(459.7)	—
Dividends paid	(5.4)	(2.8)	(2.9)
Other	1.1	(1.7)	(6.9)
Cash flows provided (used) by financing activities	(680.8)	3,644.9	1,502.2
Effect of exchange rates on cash	(3.0)	(4.6)	—
Net increase (decrease) in cash	83.6	(354.3)	622.6
Cash and cash equivalents, beginning of year	289.8	644.1	21.5
Cash and cash equivalents, end of year	$ 373.4	$ 289.8	$ 644.1
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 363.1	$ 168.2	$ 19.0
Cash paid for income taxes	$ 40.7	$ 14.5	$ 2.3

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Changes in Equity
For the Three Years Ended December 31, 2016, 2015 and 2014

(Shares in thousands, dollars in millions)	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2013	**74**	**$ 42.7**	**—**	**$ —**	**30,583**	**$ —**	**(45)**	**$ (0.1)**	**$ 525.0**	**$ (111.7)**	**$ —**	**$ 455.9**	**$ —**	**$ 455.9**
Net loss	—	—	—	—	—	—	—	—	—	(63.6)	—	(63.6)	—	$ (63.6)
Exercise and vesting of stock compensation awards	—	—	—	—	293	—	—	—	(4.5)	—	—	(4.5)	—	$ (4.5)
Conversion of Series A preferred stock to common stock	(1)	(0.5)	—	—	120	—	—	—	0.5	—	—	—	—	$ —
Proceeds from issuance of preferred stock, net of issuance costs	—	—	400	363.6	—	—	—	—	—	—	—	363.6	—	$ 363.6
Conversion of Series B preferred stock to common stock	—	—	(400)	(363.6)	12,128	—	—	—	363.6	—	—	—	—	$ —
Deemed distribution for recognition of beneficial conversion feature on preferred stock	—	—	—	—	—	—	—	—	40.9	(40.9)	—	—	—	$ —
Proceeds from common stock offering, net of issuance costs	—	—	—	—	27,953	0.1	—	—	733.7	—	—	733.8	—	$ 733.8
Issuance of common stock for acquisitions	—	—	—	—	4,704	—	45	0.1	138.1	—	—	138.2	—	$ 138.2
Issuance of common stock upon conversion of senior notes, net of tax	—	—	—	—	1,641	—	—	—	27.1	—	—	27.1	—	$ 27.1
Dividend paid	—	—	—	—	—	—	—	—	—	(2.9)	—	(2.9)	—	$ (2.9)
Stock compensation expense	—	—	—	—	—	—	—	—	7.5	—	—	7.5	—	$ 7.5
Balance at December 31, 2014	**73**	**42.2**	**—**	**—**	**77,422**	**0.1**	**—**	**—**	**1,831.9**	**(219.1)**	**—**	**1,655.1**	**—**	**$ 1,655.1**

See accompanying notes to consolidated financial statements.

XPO Logistics, Inc.
Consolidated Statements of Changes in Equity (continued)
For the Three Years Ended December 31, 2016, 2015 and 2014

	Series A Preferred Stock		Series C Preferred Stock		Common Stock							
(Shares in thousands, dollars in millions)	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Non-controlling Interests	Total Equity
Balance at December 31, 2014	**73**	**$ 42.2**	**—**	**$ —**	**77,422**	**$ 0.1**	**$ 1,831.9**	**$ (219.1)**	**$ —**	**$ 1,655.1**	**$ —**	**$ 1,655.1**
Net loss	—	—	—	—	—	—	—	(191.1)	—	(191.1)	(0.5)	$ (191.6)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(72.3)	(72.3)	(6.3)	$ (78.6)
Transfer to noncontrolling interest from redeemable noncontrolling interest	—	—	—	—	—	—	4.2	—	—	4.2	320.4	$ 324.6
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	30.1	$ 30.1
Exercise and vesting of stock compensation awards	—	—	—	—	683	—	2.9	—	—	2.9	—	$ 2.9
Conversion of Series A preferred stock to common stock	—	(0.2)	—	—	64	—	0.2	—	—	—	—	$ —
Proceeds from issuance of preferred stock, net of issuance costs	—	—	563	548.5	—	—	—	—	—	548.5	—	$ 548.5
Conversion of Series C preferred stock to common stock	—	—	(563)	(548.5)	12,501	—	548.5	—	—	—	—	$ —
Deemed distribution for recognition of beneficial conversion feature on preferred stock	—	—	—	—	—	—	52.0	(52.0)	—	—	—	$ —
Proceeds from common stock offering, net of issuance costs	—	—	—	—	15,499	—	679.6	—	—	679.6	—	$ 679.6
Issuance of common stock for acquisitions	—	—	—	—	38	—	1.5	—	—	1.5	—	$ 1.5
Awards assumed in acquisition	—	—	—	—	—	—	17.6	—	—	17.6	—	$ 17.6
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	—	—	3,316	—	55.6	—	—	55.6	—	$ 55.6
Dividend paid	—	—	—	—	—	—	—	(2.8)	—	(2.8)	—	$ (2.8)
Stock compensation expense	—	—	—	—	—	—	18.3	—	—	18.3	—	$ 18.3
Balance at December 31, 2015	**73**	**$ 42.0**	**—**	**$ —**	**109,523**	**$ 0.1**	**$ 3,212.3**	**$ (465.0)**	**$ (72.3)**	**$ 2,717.1**	**$ 343.7**	**$ 3,060.8**
Net income	—	—	—	—	—	—	—	69.0	—	69.0	15.5	$ 84.5
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	(121.4)	(121.4)	(18.7)	$ (140.1)
Repurchase of noncontrolling interest	—	—	—	—	—	—	2.6	—	—	2.6	—	$ 2.6
Exercise and vesting of stock compensation awards	—	—	—	—	1,298	—	(1.5)	—	—	(1.5)	—	$ (1.5)
Conversion of Series A preferred stock to common stock	(1)	(0.4)	—	—	93	—	0.4	—	—	—	—	$ —
Issuance of common stock upon conversion of convertible senior notes, net of tax	—	—	—	—	173	—	2.8	—	—	2.8	—	$ 2.8
Dividend paid	—	—	—	—	—	—	—	(3.2)	—	(3.2)	(2.9)	$ (6.1)
Adoption of stock compensation standard	—	—	—	—	—	—	1.3	6.3	—	7.6	—	$ 7.6
Stock compensation expense	—	—	—	—	—	—	27.0	—	—	27.0	—	$ 27.0
Balance at December 31, 2016	**72**	**$ 41.6**	**—**	**$ —**	**111,087**	**$ 0.1**	**$ 3,244.9**	**$ (392.9)**	**$ (193.7)**	**$ 2,700.0**	**$ 337.6**	**$ 3,037.6**

See accompanying notes to consolidated financial statements.

1. Organization

Nature of Operations

XPO Logistics, Inc. and its subsidiaries ("XPO" or the "Company") use an integrated network of people, technology and physical assets to help customers manage their goods more efficiently throughout their supply chains. The Company's customers are multinational, national, mid-size and small enterprises, and include many of the most prominent companies in the world. XPO runs its business on a global basis, with two reportable segments: Transportation and Logistics.

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

In the Logistics segment, referred to as supply chain, the Company provides a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution, cold chain solutions and other inventory management solutions. The Company performs e-commerce fulfillment, order personalization, warehousing, reverse logistics, storage, factory support, aftermarket support, manufacturing, distribution, packaging and labeling, as well as supply chain optimization services such as production flow management.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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

Consolidation

The Company's financial statements consolidate all of its affiliates in which it has either a majority voting interest or a controlling financial interest, most often because the Company has the power to direct the activities that significantly affect the variable interest entity's ("VIE") economic performance, including having operational control over each VIE and operating the VIEs under the XPO brand or policies.

Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the design of an entity, the Company reconsiders whether it is subject to the VIE model. The Company continuously evaluates whether it has a controlling financial interest in a VIE.

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

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

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year's presentation. For the years ended December 31, 2015 and 2014, gains and losses on foreign currency option and forward contracts were reclassified from other expense/income to foreign currency loss/gain to conform to the 2016 presentation. The amount reclassified from other expense to foreign currency loss for the year ended December 31, 2015 was $10.7 million. There was no impact on net income (loss) as a result of these reclassifications.

Significant Accounting Policies

Revenue Recognition

In the Company's Transportation segment, with the exception of the LTL business, revenue is recognized at the point in time when delivery is complete and the shipping terms of the contract have been satisfied. Related costs of delivery and service are accrued and expensed in the same period the associated revenue is recognized. For the Company's LTL business, revenue is recognized based on relative transit time and expenses are recognized as incurred.

In the Company's Logistics segment, revenue is recognized based on specific, objective criteria which, as discussed below, are identified within the provisions of each contract. Related costs of delivery and service are accrued and expensed in the same period the associated revenue is recognized. Under certain supply chain contracts, billings in excess of revenue recognized are recorded as unearned revenue. Unearned revenue is recognized over the remaining contract period as services are provided. In addition, the Company has deferred certain recoverable direct and incremental costs related to the setup of logistics operations under long-term contracts. These deferred setup costs are recognized as expense over the contract term.

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

For all lines of business (other than the Company's managed expedited freight business and the Company's Logistics segment with respect to those transactions where its contract logistics business is serving as the customer's agent in arranging purchased transportation), the Company reports revenue on a gross basis because XPO is the principal in the transaction. For those lines of business where the Company acts as an agent, revenue is recognized on a net basis.

The Company's global forwarding operations collects certain taxes and duties on behalf of their customers as part of the services offered and arranged for international shipments. The Company presents these collections on a net basis.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as of the date of purchase to be cash equivalents unless the investments are legally or contractually restricted for more than three months.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the contractual amount. The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical collection experience, the age of the accounts receivable balances, credit quality of the Company's customers, any specific customer collection issues that have been identified, current economic conditions, and other factors that may affect the customers' ability to pay. The Company writes off accounts receivable balances that have aged significantly once all collection efforts have been exhausted and the receivables are no longer deemed collectible from the customer.

The rollforward of the allowance for doubtful accounts is as follows:

(In millions)	Year Ended December 31, 2016	2015	2014
Beginning balance	$ 16.9	$ 9.8	$ 3.5
Provision, charged to expense	15.1	12.9	6.9
Write-offs, less recoveries, and other adjustments	(5.7)	(5.8)	(0.6)
Ending balance	$ 26.3	$ 16.9	$ 9.8

Other Current Assets

Other current assets is comprised of the following:

(In millions)	December 31, 2016	2015
Prepaid expenses	$ 110.5	$ 142.3
Value-added tax and income tax receivables	91.2	115.8
Materials and supplies	40.1	48.9
Foreign currency option and forward contracts	18.8	—
Other current assets	126.3	94.0
Total Other Current Assets	$ 386.9	$ 401.0

Property and Equipment

Property and equipment are generally recorded at cost, or in the case of acquired property and equipment, at fair value at the date of acquisition. Maintenance and repair expenditures are charged to expense as incurred. When assets are sold, the applicable costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income. For internally-developed software, all costs incurred in the planning and evaluation stage of internally-developed computer software are expensed as incurred. Costs incurred during the application development stage are capitalized and included in property and equipment. Capitalized internally-developed software also includes the fair value of acquired internally-developed technology.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Classification	Estimated Useful Life
Buildings and leasehold improvements	Term of lease to 40 years
Vehicles, tractors, trailers and tankers	3 to 14 years
Rail cars, container and chassis	15 to 30 years
Machinery and equipment	5 to 10 years
Office and warehouse equipment	3 to 10 years
Computer software and equipment	3 to 5 years

Asset Retirement Obligations

A liability for an asset retirement obligation ("ARO") is recorded in the period in which it is incurred. When an ARO liability is initially recorded, the Company capitalizes the cost by increasing the carrying amount of the related long-lived asset. For each subsequent period, the liability is increased for accretion expense and the capitalized cost is depreciated over the useful life of the related asset.

Goodwill

Goodwill consists of the excess of cost over the fair value of net assets acquired in business combinations. The Company performs an annual impairment test for goodwill as of August 31 unless events or circumstances indicate impairment of goodwill may have occurred before that time. The Company may first choose to perform a qualitative evaluation of the likelihood of goodwill impairment. If the Company determines a quantitative evaluation is necessary, the goodwill at the reporting unit is subject to a two-step impairment test. The first step compares the book value of a reporting unit, including goodwill, with its fair value. If the book value of a reporting unit exceeds its fair value, the Company completes the second step in order to determine the amount of goodwill impairment loss that should be recorded. The Company determines fair values for each of the reporting units using an income approach. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company uses its internal forecasts to estimate future cash flows and includes an estimate of long-term future growth rates based on its most recent views of the long-term outlook for the business. For the periods presented, the Company did not recognize any goodwill impairment as the estimated fair value of its reporting units with goodwill exceeded the book value of these reporting units. The Company completed its goodwill impairment test for the identified reporting units as of August 31, 2016.

Intangible Assets

The Company's intangible assets subject to amortization consist of customer relationships, trade names, and non-compete agreements. The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset group is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured as the amount by which the carrying amount of the asset group exceeds the fair value of the asset. The Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. For the periods presented, the Company did not recognize any impairment of the identified intangible assets. Intangible assets are amortized on a straight-line basis or on a basis consistent with the pattern in which the economic benefits are realized. The range of estimated useful lives and the weighted-average useful lives of the respective intangible assets by type are as follows:

Classification	Estimated Useful Life	Weighted-Average Amortization Period
Customer relationships	1.5 to 16 years	13.4 years
Trade names	1.2 to 3.5 years	2.9 years
Non-compete agreements	Term of agreement	4.6 years

Accrued Expenses

Accrued expenses is comprised of the following:

	December 31,	
(In millions)	2016	2015
Accrued salaries and wages	$ 570.9	$ 558.6
Accrued value-added tax and other taxes	145.5	153.3
Accrued transportation and facility charges	266.9	156.1
Accrued insurance claims	83.9	95.3
Accrued litigation liabilities	74.6	66.1
Accrued purchased services	30.6	61.7
Accrued interest	36.4	56.8
Other accrued expenses	173.3	143.9
Total Accrued Expenses	$ 1,382.1	$ 1,291.8

Other Current Liabilities

Other current liabilities is comprised of the following:

	December 31,	
(In millions)	2016	2015
Deferred revenue	$ 47.3	$ 62.4
Employee benefits	37.3	38.7
Book and bank overdrafts	11.0	29.5
Acquisition earn-out liability	—	21.8
Income tax payable	27.4	—
Other current liabilities	33.7	51.2
Total Other Current Liabilities	$ 156.7	$ 203.6

Self-Insurance

The Company uses a combination of self-insurance programs and purchased insurance to provide for the costs of medical, casualty, liability, vehicular, cargo and workers' compensation claims. The long-term portion of self-insurance accruals relates primarily to workers' compensation and vehicular claims that are expected to be payable over several years. The Company periodically evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense.

The measurement and classification of self-insured costs requires the consideration of historical cost experience, demographic and severity factors, and judgments about the current and expected levels of cost per claim and retention levels. These methods provide estimates of the undiscounted liability associated with claims incurred as of the balance sheet date, including estimates of claims incurred but not reported. Changes in these assumptions and factors can materially affect actual costs paid to settle the claims and those amounts may be different than estimates.

Advertising Costs

Advertising costs are expensed as incurred.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss ("AOCL"), net of tax at December 31, 2016 and 2015, are as follows:

(In millions)	Foreign Currency Translation Adjustments	Cash Flow and Net Investment Hedges	Defined Benefit Plans Liability	Less: AOCL Attributable to Noncontrolling Interests	AOCL Attributable to the Company
As of December 31, 2014	$ —	$ —	$ —	$ —	$ —
Other comprehensive income (loss)	(68.5)	6.9	(17.0)	6.3	(72.3)
As of December 31, 2015	(68.5)	6.9	(17.0)	6.3	(72.3)
Other comprehensive income (loss)	(137.7)	(7.1)	5.3	18.7	(120.8)
Amounts reclassified from AOCL	—	—	(0.6)	—	(0.6)
Net current period other comprehensive income (loss)	(137.7)	(7.1)	4.7	18.7	(121.4)
As of December 31, 2016	$ (206.2)	$ (0.2)	$ (12.3)	$ 25.0	$ (193.7)

Income Taxes

Taxes on income are provided for in accordance with ASC Topic 740, "*Income Taxes*." Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reflected in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the differences between the book value and the tax basis of particular assets and liabilities, and the tax effects of net operating loss and capital loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized as income or expense in the period that included the enactment date. A valuation allowance is provided to offset net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Management periodically assesses the likelihood that the Company will utilize its existing deferred tax assets and records a valuation allowance for deferred tax assets when it is more likely than not that such deferred tax assets will not be realized.

Accounting for uncertainty in income taxes is determined based on ASC Topic 740, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosures.

Foreign Currency Translation and Transactions

The assets and liabilities of foreign subsidiaries that use the local currency as their functional currency are translated to U.S. dollars ("USD") using the exchange rate prevailing at each balance sheet date, with balance sheet currency translation adjustments recorded in accumulated other comprehensive income in the consolidated balance sheets. The assets and liabilities of foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency and then translated to USD. The results of operations of the Company's foreign subsidiaries are translated to USD using average exchange rates prevailing for each period presented. Foreign currency transactions recognized in the consolidated statements of operations are converted to USD by applying the exchange rate prevailing on the date of the transaction. Gains and losses arising from foreign currency transactions and the effects of remeasuring monetary assets and liabilities are recorded in foreign currency loss in the consolidated statements of operations.

The following table provides a breakdown of foreign currency (gain)/loss included in the consolidated statements of operations:

	Years ended December 31,		
(In millions)	2016	2015	2014
Unrealized foreign currency option and forward contracts (gains)/losses	$ (39.7)	$ 1.0	$ —
Realized foreign currency option and forward contracts (gains)/losses	(3.8)	—	—
Foreign currency transaction and remeasurement (gains)/losses	3.2	2.4	0.4
Remeasurement loss on cash held to purchase ND	—	31.7	—
Loss on forward contract related to ND acquisition	—	9.7	—
Total foreign currency (gain)/loss	$ (40.3)	$ 44.8	$ 0.4

Fair Value Measurements

FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and classifies the inputs used to measure fair value into the following hierarchy:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations based on inputs that are unobservable, generally utilizing pricing models or other valuation techniques that reflect management's judgment and estimates.

The aggregate net fair value estimates are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximated their fair values as of December 31, 2016 and 2015, respectively. These financial instruments include cash, accounts receivable, accounts payable, accrued expenses, and current maturities of long-term debt. Fair values approximate carrying values for these financial instruments since they are short-term in nature and are receivable or payable on demand. The Level 1 cash equivalents include money market funds valued using quoted prices in active markets. The Level 2 cash equivalents include short-term investments valued using published interest rates for instruments with similar terms and maturities. For information regarding the fair value hierarchy of the Company's financial liabilities and derivative instruments, refer to **Note 9—Debt** and **Note 14—Derivative Instruments**, respectively.

The following table summarizes the fair value hierarchy of cash equivalents:

	December 31, 2016			
(In millions)	Carrying Value	Fair Value	Level 1	Level 2
Cash equivalents	$ 103.5	$ 103.5	$ 26.4	$ 77.1

	December 31, 2015			
(In millions)	Carrying Value	Fair Value	Level 1	Level 2
Cash equivalents	$ 83.2	$ 83.2	$ 9.1	$ 74.1

Derivative Instruments

The Company records all derivative instruments in the consolidated balance sheets as assets or liabilities at fair value. The Company's accounting treatment for changes in the fair value of derivative instruments depends on whether the instruments have been designated and qualify as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company must designate the derivative based upon the exposure being hedged. The effective portions of cash flow hedges are recorded in accumulated other comprehensive income in the consolidated balance sheets until the hedged item is recognized in earnings. The effective portions of net investment hedges are recorded in accumulated other comprehensive income in the consolidated balance sheets as a part of the cumulative translation adjustment. The ineffective portions of cash flow hedges and net investment hedges are recorded in interest expense in the consolidated statements of operations. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings and are recorded in foreign currency gain/loss in the consolidated statements of operations, depending on the objective of the derivative. Cash receipts and payments are classified according to the derivative's nature. However, cash flows from derivative instruments that are accounted for as cash flow hedges are classified in the same category as the cash flows from the items being hedged.

Defined Benefit Pension Plans

Defined benefit pension plan obligations are calculated using various actuarial assumptions and methodologies. Assumptions include discount rates, inflation rates, expected long-term rate of return on plan assets, mortality rates, and other factors. The assumptions used in recording the projected benefit obligation and fair value of plan assets represent the Company's best estimates based on information available regarding historical experience and factors that may cause future expectations to differ from past experiences. Differences in actual experience or changes in assumptions could materially impact the Company's obligation and future expense amounts.

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

Stock-Based Compensation

The Company accounts for stock-based compensation based on the equity instrument's grant date fair value. For grants of restricted stock units ("RSUs") subject to service- or performance-based vesting conditions only, the fair value is established based on the market price on the date of the grant. For grants of RSUs subject to market-based vesting conditions, the fair value is established using the Monte Carlo simulation lattice model. For grants of options and stock appreciation rights ("SARs"), the Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based payment awards. The determination of the fair value of stock-based awards is affected by the Company's stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. The Company has elected to account for forfeitures as they occur with the adoption of ASU 2016-09.

The weighted-average fair value of each stock option recorded in expense is amortized over the requisite service period of the option. For options with graded vesting, it is the Company's policy to recognize compensation cost on a straight-line basis over the requisite service period for the entire award; however, the amount of compensation cost recognized at any date will at least equal the portion of the grant date value of the award that is vested at that date. For the Company's performance-based restricted stock units ("PRSUs"), the Company recognizes expense over the awards' requisite service period based on the number of awards expected to vest with consideration to the actual and expected financial results. If achievement of the performance targets for a PRSU award is not considered to be probable, then no expense is recognized until achievement of such targets becomes probable.

New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue (Topic 606): "Revenue from Contracts with Customers." This new standard includes the required steps to achieve the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will be effective for our annual and interim periods beginning January 1, 2018, and permits the use of either the retrospective or cumulative effect transition method. The Company does not plan to adopt the standard early and has not yet determined which transition method will be used. We are currently evaluating the effects of this standard. We have completed an initial "gap assessment," whereby we have compared our current revenue recognition practices to those required by the new standard. The main areas under consideration include (i) the recognition of revenue using proportionate delivery within our Transportation segment, (ii) the application of principal vs. agent, and (iii) the identification and capitalization of contract inception costs. We do not currently expect that the adoption of the standard will have a material effect on our consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent) (a consensus of the Emerging Issues Task Force)." This ASU eliminates the existing requirement to categorize investments measured using the net asset value ("NAV") practical expedient in the fair value hierarchy table. It requires entities to disclose the fair value of investments measured using the NAV practical expedient so that financial statement users can reconcile amounts reported in the fair value hierarchy table to amounts reported on the balance sheet. The adoption of this standard resulted in changes to the presentation of the fair value of investments tables for the Company's defined benefit pension plans, but it did not affect the Company's financial condition, results of operations, or cash flows. For additional information, refer to **Note 10—Employee Benefit Plans**.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the effects ASU 2016-02 will have on its consolidated financial statements and related disclosures. The Company currently discloses approximately $2,144.3 million in operating lease obligations in the lease commitments footnote (**Note 5**) and will evaluate those contracts as well as other existing arrangements to determine if they qualify for lease accounting under the new standard. The Company does not plan to adopt the standard early.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): "Improvements to Employee Share-based Payment Accounting." This ASU involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. In regards to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. The Company adopted this standard in the fourth quarter of 2016, effective January 1, 2016. As a result of adoption, a deferred tax asset of $7.6 million was recorded, with an offset to retained earnings, and a discrete tax benefit of $5.4 million is included in income tax expense for the year ended December 31, 2016. The Company has elected to account for forfeitures as they occur, resulting in a retained earnings adjustment of $1.3 million.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): "Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)." This ASU addresses eight specific cash flow classification issues with the objective of reducing the existing diversity in practice. Under the new standard, cash payments for debt prepayments or debt extinguishment costs should be classified as outflows for financing activities. Additional cash flow issues covered under the standard include: settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. This ASU is effective for public entities for fiscal years beginning after December 15, 2017, including interim periods within that reporting period; however, early adoption is permitted. The Company is currently evaluating the standard and the impacts, if any, on the consolidated financial statements and related disclosures.

3. Acquisitions and Divestitures

2015 Acquisitions

Con-way Inc.

On September 9, 2015, XPO entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Con-way Inc., a Delaware corporation ("Con-way"). Headquartered in Ann Arbor, Michigan, Con-way was a *Fortune 500* company with a transportation and logistics network of 582 locations and approximately 30,000 employees serving over 36,000 customers.

XPO completed its acquisition of Con-way on October 30, 2015. The fair value of the total consideration paid by XPO was $2,317.8 million, net of cash acquired of $437.3 million, consisting of $2,706.6 million of cash paid at the time of closing for the purchase of all of Con-way's outstanding shares of common stock, par value $0.625 (the "Con-way Shares"), $17.6 million representing the portion of replacement equity awards attributable to pre-acquisition service, and a $30.9 million liability for the settlement of certain Con-way stock-based compensation awards.

(In millions)		
Cash consideration	$	2,706.6
Liability for equity award settlement		30.9
Portion of replacement equity awards attributable to pre-acquisition service		17.6
Cash acquired		(437.3)
Total consideration	$	2,317.8

The Con-way transaction was accounted for as a business combination in accordance with ASC Topic 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of October 30, 2015, with the remaining unallocated purchase price recorded as goodwill. Goodwill includes the expected synergies and cost rationalization from the merger of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce.

The following table outlines the consideration transferred and purchase price allocation at the respective estimated fair values as of October 30, 2015:

(In millions)		
Consideration	$	2,317.8
Accounts receivable		676.5
Other current assets		141.0
Property and equipment		1,932.4
Trade name		5.6
Customer relationships		658.5
Other long-term assets		53.5
Accounts payable		(363.4)
Accrued expenses		(402.3)
Other current liabilities		(69.3)
Long-term debt		(637.8)
Deferred tax liabilities		(578.1)
Employee benefit obligations		(155.5)
Other long-term liabilities		(257.6)
Goodwill	$	1,314.3

The Con-way purchase price allocation is final. Approximately $1,057.9 million of the goodwill relates to the Transportation segment and $256.4 million of the goodwill relates to the Logistics segment. The goodwill as a result of the acquisition is not deductible for income tax purposes.

Norbert Dentressangle SA

On April 28, 2015, XPO entered into (1) a Share Purchase Agreement (the "Share Purchase Agreement") relating to Norbert Dentressangle SA ("ND"), a French *société anonyme* and (2) a Tender Offer Agreement (the "Tender Offer Agreement" and, together with the Share Purchase Agreement, the "ND Transaction Agreements") between XPO and ND. The ND Transaction Agreements provided for the acquisition of a majority stake in ND by XPO, followed by an all-cash simplified tender offer by XPO to acquire the remaining outstanding ND shares.

On June 8, 2015, pursuant to the terms of the Share Purchase Agreement, XPO purchased approximately 67% of the share capital of ND and all of the outstanding share subscription warrants granted by ND to employees, directors or other officers of ND and its affiliates (together, the "Share Purchase"). Total cash consideration paid by XPO for the Share Purchase was €1,437.0 million, or $1,603.9 million, excluding acquired debt. This cash consideration reflected only that portion of the fair value of the warrants attributable to service performed by employees, officers, or directors of ND and its affiliates prior to the acquisition date. The remaining balance of the fair value of the warrants was recorded as compensation expense in the post-combination period. The Company also agreed to settle certain ND performance stock awards. Similar to the warrants, the consideration paid by XPO for these stock awards of €11.8 million, or $13.2 million, included only that portion of the fair value attributable to service performed prior to the acquisition date with the balance recorded as compensation expense in the post-combination period. The performance shares were scheduled to be settled in cash with 50% of the awards paid 18 months from the acquisition date and the remaining 50% paid 36 months from the acquisition date. Further, as a result of the acquisition, the Company repaid certain ND indebtedness and related interest rate swap liabilities totaling €628.5 million, or $705.0 million.

On June 25, 2015, XPO launched a mandatory simplified cash offer (the "Tender Offer") to purchase all of the outstanding ordinary shares of ND (other than the shares already owned by XPO). During the Tender Offer period, the minority shareholders had the right to sell their shares of ND to the Company and the Company had the obligation to purchase those shares at the Tender Offer price. Once the Tender Offer closed on July 17, 2015, the noncontrolling interest is classified as noncontrolling interest in equity in the consolidated balance sheet. The Company purchased 1,921,553 shares under the Tender Offer and acquired a total of approximately 86.25% of the share capital of ND. The total fair value of the consideration paid by XPO in connection with the Tender Offer was €702.5 million, or $784.2 million, which is based on the quoted market price of ND shares on the acquisition date. The total consideration paid by XPO for ND is summarized in the table below in Euros ("EUR") and USD:

(In millions)	In EUR	In USD
Cash consideration	€ 1,437.0	$ 1,603.9
Liability for performance share settlement	11.8	13.2
Repayment of indebtedness	628.5	705.0
Noncontrolling interests	702.5	784.2
Cash acquired	(134.6)	(151.0)
Total consideration	€ 2,645.2	$ 2,955.3

The Share Purchase was accounted for as a business combination in accordance with ASC Topic 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of June 8, 2015, with the remaining unallocated purchase price recorded as goodwill. Goodwill includes the expected synergies and cost rationalization from the merger of operations as well as intangible assets that do not qualify for separate recognition such as an assembled workforce.

The following table outlines the consideration transferred and purchase price allocation at the respective estimated fair values as of June 8, 2015:

(Dollars in millions)	
Consideration	$ 2,955.3
Accounts receivable	1,058.5
Other current assets	353.6
Deferred tax assets	44.6
Property and equipment	706.1
Trade name covenants	40.0
Non-compete agreements	5.6
Customer relationships	827.0
Other long-term assets	57.1
Accounts payable	(806.0)
Accrued expenses	(428.2)
Other current liabilities	(131.8)
Long-term debt	(643.4)
Deferred tax liabilities	(237.7)
Employee benefit obligations	(142.3)
Other long-term liabilities	(177.2)
Noncontrolling interests	(37.2)
Goodwill	$ 2,466.6

The ND purchase price allocation is final. Approximately $962.4 million of the goodwill relates to the Transportation segment and $1,504.2 million of the goodwill relates to the Logistics segment. The goodwill resulting from the ND acquisition is not deductible for local country income tax purposes.

Bridge Terminal Transport Services, Inc.

On May 4, 2015, the Company entered into a Stock Purchase Agreement with BTTS Holding Corporation to acquire all of the outstanding capital stock of Bridge Terminal Transport Services, Inc. ("BTT"), a leading asset-light drayage provider in the United States. The closing of the transaction was effective on June 1, 2015. The fair value of the total consideration paid by XPO under the BTT Stock Purchase Agreement was $103.8 million and consisted of $103.1 million of cash paid at the time of closing, including an estimate of the working capital adjustment, and $0.7 million of equity.

The BTT acquisition was accounted for as a business combination in accordance with ASC Topic 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of June 1, 2015 with the remaining unallocated purchase price recorded as goodwill. As a result of the acquisition, the Company recorded goodwill of $56.5 million and definite-lived intangible assets of $30.0 million. All goodwill relates to the Transportation segment and is not deductible for income tax purposes. The BTT purchase price allocation is final.

UX Specialized Logistics

On February 9, 2015, pursuant to an Asset Purchase Agreement of the same date between the Company and Earlybird Delivery Systems, LLC, the Company acquired certain assets of UX Specialized Logistics, LLC ("UX"). The fair value of the total consideration paid under the UX Asset Purchase Agreement was $58.9 million and consisted of $58.1 million of cash paid at the time of closing, including an estimate of the working capital adjustment, and $0.8 million of equity. UX provided last mile logistics and same day delivery services for major retail chains and e-commerce companies.

The UX acquisition was accounted for as a business combination in accordance with ASC Topic 805 "Business Combinations." Assets acquired and liabilities assumed were recorded in the accompanying consolidated balance sheet at their estimated fair values as of February 9, 2015 with the remaining unallocated purchase price recorded as goodwill. As a result of the UX acquisition, the Company recorded goodwill of $38.1 million and definite-lived intangible assets of $18.8 million. All goodwill relates to the Transportation segment and is fully deductible for income tax purposes. The UX purchase price allocation is final.

Pro Forma Financial Information (Unaudited)

The following unaudited pro forma consolidated results of operations for the year ended December 31, 2015 present consolidated information of the Company as if the acquisitions of Con-way and ND had occurred as of January 1, 2015:

(Dollars in millions, except per share data)	Pro Forma Year Ended December 31, 2015	
Revenue	$	14,833.5
Operating income	$	233.3
Net loss	$	(174.5)
Basic loss per share	$	(2.11)
Diluted loss per share	$	(2.11)

The unaudited pro forma consolidated results for the year ended December 31, 2015 was prepared using the acquisition method of accounting and is based on the historical financial information of Con-way, ND, and the Company. The unaudited pro forma consolidated results incorporate historical financial information for all significant acquisitions pursuant to U.S. Securities and Exchange Commission ("SEC") regulations since January 1, 2015, without effect to the sale of the North American Truckload operations noted below. The historical financial information has been adjusted to give effect to pro forma adjustments that are: (i) directly attributable to the acquisition, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results. The unaudited pro forma consolidated results are not necessarily indicative of what the Company's consolidated results of operations actually would have been had it completed these acquisitions on January 1, 2015.

Divestitures

North American Truckload Operations

On October 27, 2016, pursuant to a Stock Purchase Agreement of the same date between the Company and a subsidiary of TransForce Inc. ("TransForce"), the Company divested its North American Truckload operations (formerly known as Con-way Truckload) for approximately $558.0 million cash consideration, subject to certain adjustments. The Company also agreed to provide certain specified transition services to TransForce following the transaction. For the period from January 1, 2016 through October 26, 2016, these North American Truckload operations generated revenue of $393.2 million and operating income of $31.9 million. These North American Truckload operations are included in the Company's Transportation segment through the date of sale.

On November 3, 2016, the Company used the proceeds from sale of the North American Truckload operations to repurchase $555.0 million of Term Loan debt at par. The repurchase of debt resulted in a non-cash debt extinguishment charge of $16.5 million in the fourth quarter of 2016.

4. Restructuring Charges

In conjunction with various acquisitions, the Company has initiated facility rationalization and severance programs to close facilities and reduce employment in order to improve the Company's efficiency and profitability or adjust for the loss of certain business.

The amount of restructuring charges incurred during the years ended December 31, 2016 and 2015 and included in the Company's consolidated statements of operations as sales, general and administrative expense, direct operating expense, and cost of transportation and services, are summarized below. The 2015 table includes charges recorded on ND's opening balance sheet which were incurred prior to the acquisition date. Only ND restructuring initiatives in existence at the acquisition date were included in the purchase price allocation.

		Year ended December 31, 2016		
(In millions)	Reserve Balance at December 31, 2015	Charges Incurred	Payments	Reserve Balance at December 31, 2016
Transportation				
Contract termination	$ 0.1	$ 1.8	$ (1.9)	$ —
Facilities	0.6	1.7	(0.9)	1.4
Severance	26.7	5.0	(25.9)	5.8
Total	27.4	8.5	(28.7)	7.2
Logistics				
Contract termination	0.8	2.2	(2.3)	0.7
Facilities	—	0.7	(0.2)	0.5
Severance	25.5	14.1	(23.5)	16.1
Total	26.3	17.0	(26.0)	17.3
Corporate				
Contract termination	4.0	—	(3.7)	0.3
Facilities	—	0.1	(0.1)	—
Severance	3.5	1.2	(4.3)	0.4
Total	7.5	1.3	(8.1)	0.7
Total	$ 61.2	$ 26.8	$ (62.8)	$ 25.2

		Year ended December 31, 2015			
(In millions)	Reserve Balance at December 31, 2014	From ND Acquisition	Charges Incurred	Payments	Reserve Balance at December 31, 2015
Transportation					
Contract termination	$ —	$ 0.1	$ —	$ —	$ 0.1
Facilities	—	—	0.8	(0.2)	0.6
Severance	—	4.8	27.3	(5.4)	26.7
Total	—	4.9	28.1	(5.6)	27.4
Logistics					
Contract termination	—	0.1	0.9	(0.2)	0.8
Severance	—	9.3	21.3	(5.1)	25.5
Total	—	9.4	22.2	(5.3)	26.3
Corporate					
Contract termination	3.8	—	3.3	(3.1)	4.0
Severance	1.3	—	3.3	(1.1)	3.5
Total	5.1	—	6.6	(4.2)	7.5
Total	$ 5.1	$ 14.3	$ 56.9	$ (15.1)	$ 61.2

5. Commitments and Contingencies

Lease Commitments

Under operating leases, the Company is required to make payments for various real estate, double-stack railcars, containers, chassis, tractors, data processing equipment, transportation and office equipment leases that have an initial or remaining non-cancelable lease term. Certain leases also contain provisions that allow the Company to extend the leases for various renewal periods.

Under certain capital lease agreements, the Company guarantees the residual value of tractors at the end of the lease term. The stated amounts of the residual-value guarantees have been included in the minimum lease payments below.

Future minimum lease payments with initial or remaining non-cancelable lease terms in excess of one year, at December 31, 2016, were as follows:

(In millions)	Capital Leases	Operating Leases
Year ending December 31:		
2017	$ 18.3	$ 542.1
2018	24.1	422.6
2019	10.4	314.7
2020	9.3	222.0
2021	8.9	163.6
Thereafter	30.9	479.3
Total minimum lease payments	$ 101.9	$ 2,144.3
Amount representing interest	(4.5)	
Present value of minimum lease payments	$ 97.4	

Rent expense was approximately $677.2 million, $412.1 million and $82.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Litigation

The Company is involved, and will continue to be involved, in numerous proceedings arising out of the conduct of its business. These proceedings may include, among other matters, claims for property damage or personal injury incurred in connection with the transportation of freight, claims regarding anti-competitive practices, and employment-related claims, including claims involving asserted breaches of employee restrictive covenants and tortious interference with contract. These proceedings also include numerous purported class action lawsuits, multi-plaintiff and individual lawsuits and state tax and other administrative proceedings that claim either that the Company’s owner operators or contract carriers should be treated as employees, rather than independent contractors, or that certain of the Company's drivers were not paid for all compensable time or were not provided with required meal or rest breaks. These lawsuits and proceedings may seek substantial monetary damages (including claims for unpaid wages, overtime, failure to provide meal and rest periods, unreimbursed business expenses and other items), injunctive relief, or both.

The Company establishes accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. In connection with certain acquisitions of privately-held businesses, the Company has retained purchase price holdbacks or escrows to provide security for a negotiated duration with respect to damages incurred in connection with pre-acquisition claims and litigation matters. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued therefor or the applicable purchase price holdback or escrow, the Company assesses whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, the Company discloses the estimate of the possible loss or range of loss if it is material and an estimate can be made, or states that such an estimate cannot be made. The evaluation as to whether a loss is reasonably possible or probable is based on the Company’s assessment, in conjunction with legal counsel, regarding the ultimate outcome of the matter.

The Company believes that it has adequately accrued for, or has adequate purchase price holdbacks or escrows with respect to, the potential impact of loss contingencies that are probable and reasonably estimable. The Company does not believe that the ultimate resolution of any matters to which the Company is presently a party will have a material adverse effect on its results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on the Company’s financial condition, results of operations or cash flows. Legal costs incurred related to these matters are expensed as incurred.

The Company carries liability and excess umbrella insurance policies that it deems sufficient to cover potential legal claims arising in the normal course of conducting its operations as a transportation and logistics company. The liability and excess umbrella insurance policies generally do not cover the misclassification claims described in this Note. In the event the

Company is required to satisfy a legal claim outside the scope of the coverage provided by insurance, the Company's financial condition, results of operations or cash flows could be negatively impacted.

Intermodal Drayage Classification Claims

Certain of the Company's intermodal drayage subsidiaries received notices from the California Labor Commissioner, Division of Labor Standards Enforcement (the "DLSE"), that a total of approximately 150 owner operators contracted with these subsidiaries filed claims in 2012 with the DLSE in which they assert that they should be classified as employees, rather than independent contractors. These claims seek reimbursement for the owner operators' business expenses, including fuel, tractor maintenance and tractor lease payments. After a decision was rendered by a DLSE hearing officer in seven of these claims, in 2014, the Company appealed the decision to California Superior Court, San Diego, where a de novo trial was held on the merits of those claims. On July 17, 2015, the court issued a final statement of decision finding that the seven claimants were employees rather than independent contractors, and awarding an aggregate of $2.9 million plus post-judgment interest and attorneys' fees to the claimants. The Company appealed this judgment, but cannot provide assurance that such appeal will be successful. Separate decisions were rendered in June 2015 by a DLSE hearing officer in claims involving five additional plaintiffs, resulting in an award for the plaintiffs in an aggregate amount of approximately $0.9 million, following which the Company has appealed the decisions in the U.S. District Court for the Central District of California. These proceedings are currently in the discovery phase. The remaining DLSE claims (the "Pending DLSE Claims") have been transferred to California Superior Court in three separate actions involving approximately 200 claimants, including the approximately 150 claimants mentioned above. These matters are in the discovery stage. The Company believes that it has adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable relating to the claims referenced above. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of these claims given, among other reasons, that the number and identities of plaintiffs in these lawsuits are uncertain and the range of potential loss could be impacted substantially by future rulings by the courts involved, including on the merits of the claims.

One of the Company's intermodal drayage subsidiaries also is a party to a class action lawsuit (*Manuela Ruelas Mendoza v. Pacer Cartage, Inc.*) brought by Edwin Molina on August 19, 2013 and currently pending in the U.S. District Court, Southern District of California. Mr. Molina asserts that he should be classified as an employee, rather than an independent contractor, and seeks damages for alleged violation of various California wage and hour laws on behalf of himself and all owner-operators contracted with this subsidiary at any time from August 19, 2009 to April 29, 2016. Certain of these potential claimants also may have Pending DLSE Claims. The Company has reached an agreement to settle this litigation with the claimant. The Court has approved the settlement agreement, and it has been accepted by 520 members of the putative class. The Company has accrued the full amount of the proposed settlement. The full amount of the settlement has been paid in 2016 and the matter will be dismissed by the U.S. District Court, Southern District of California.

There are other putative class action litigation matters pending against the Company's intermodal drayage subsidiaries in which the plaintiffs claim they should have been classified as employees, rather than independent contractors, and seek damages for alleged violations of various California wage and hour laws. The particular claims asserted vary from case to case, but the claims generally allege unpaid wages, unpaid overtime, or failure to provide meal and rest periods, and seek reimbursement of the contract carriers' business expenses. However, these claims are all subject to arbitration provisions in the claimants' independent contractor agreements, and class action certification is therefore unlikely. These cases include the following matters filed in the Superior Court for the State of California, Los Angeles District: C. Arevalo v. XPO Port Services, Inc. filed in August 2015; M. Cortez v. Pacer filed in June 2016; and the following case filed in U.S. District Court for the Central District of California: I. Hernandez v. Pacer filed in May 2016. One of these cases, Cortez, has filed a California Private Attorneys General Act ("PAGA") claim, which is not subject to arbitration and therefore is subject to PAGA class action procedures. However, this matter is in the initial pleading stage and the court has not yet determined whether to certify the PAGA claim to proceed. The Company believes that it has adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable relating to these claims. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of these claims given, among other reasons, that the number and identities of plaintiffs in these lawsuits are uncertain and the range of potential loss could be impacted substantially by future rulings by the courts involved, including on the merits of the claims.

Last Mile Logistics Classification Claims

Certain of the Company's last mile logistics subsidiaries are party to several putative class action litigations brought by independent contract carriers who contracted with these subsidiaries in which the contract carriers assert that they should be classified as employees, rather than independent contractors. The particular claims asserted vary from case to case, but the claims generally allege unpaid wages, unpaid overtime, or failure to provide meal and rest periods, and seek reimbursement of the contract carriers' business expenses. Putative class actions against the Company's subsidiaries are pending in California (Fernando Ruiz v. Affinity Logistics Corp., filed in May 2005, currently in the Federal District Court, Southern District of California; Ron Carter, Juan Estrada, Jerry Green, Burl Malmgren, Bill McDonald and Joel Morales v. XPO Logistics, Inc., filed in March 2016 in the Federal District Court, Northern District of California; Ramon Garcia v. Macy's and XPO Logistics Inc., filed in July 2016 in Superior Court of the State of California, Alameda County; and Kevin Kramer v. XPO Logistics Inc., filed in September 2016 in Superior Court of the State of California, Alameda County); New Jersey (Leonardo Alegre v. Atlantic Central Logistics, Simply Logistics, Inc., filed in March 2015 in the Federal District Court, New Jersey); Pennsylvania (Victor Reyes v. XPO Logistics, Inc., filed in May 2015 in the U.S. District Court, Pennsylvania); and Connecticut (Carlos Taveras v. XPO Last Mile, Inc., filed in November 2015 in the Federal District Court, Connecticut). The Company believes that it has adequately accrued for the potential impact of loss contingencies relating to the foregoing claims that are probable and reasonably estimable. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of these claims given, among other reasons, that the number and identities of plaintiffs in these lawsuits are uncertain and the range of potential loss could be impacted substantially by future rulings by the courts involved, including on the merits of the claims.

Last Mile TCPA Claims

The Company is a party to a putative class action litigation (*Leung v. XPO Logistics, Inc.*, filed in May 2015 in the U.S. District Court, Illinois) alleging violations of the Telephone Consumer Protection Act ("TCPA") related to an automated customer call system used by a last mile logistics business that the Company acquired. This matter is in the initial pleading stage and the court has not yet determined whether to certify the matter as a class action. The Company believes that it has adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable relating to this matter. The Company is unable at this time to estimate the amount of the possible loss or range of loss, if any, in excess of its accrued liability that it may incur as a result of this matter given, among other reasons, that the Company is vigorously defending the matter and believes that it has a number of meritorious legal defenses and that it remains uncertain what evidence of their claims and damages, if any, plaintiffs will be able to present.

Less-Than-Truckload Meal Break Claims

The Company's LTL subsidiary is a party to several class action litigations alleging violations of the state of California's wage and hour laws. Plaintiffs allege failure to provide drivers with required meal breaks and rest breaks. Plaintiffs seek to recover unspecified monetary damages, penalties, interest and attorneys' fees. The primary case is *Jose Alberto Fonseca Pina, et al. v. Con-way Freight Inc., et al.* (the "*Pina* case"). The *Pina* case was initially filed in November 2009 in Monterey County Superior Court and was removed to the U.S. District Court of California, Northern District. The Company has reached an agreement to settle the *Pina* case, which has been tentatively approved by the court, and no interested parties have timely filed objections to the proposed settlement. The Company has accrued the full amount of the proposed settlement.

XPO Logistics Worldwide Government Services Investigation

On June 11, 2014, XPO Logistics Worldwide Government Services, LLC, formerly known as Menlo Worldwide Government Services, LLC ("Government Services"), a subsidiary of the contract logistics business that the Company acquired through the Con-way transaction, received a subpoena *duces tecum* from the U.S. Department of Defense Inspector General requesting records relating to an investigation into compliance with the terms and conditions of its contractual arrangements with the United States Transportation Command (the "DTCI Contract") for work performed prior to the acquisition of Government Services by the Company. Government Services received a follow-on Civil Investigative Demand from the U.S. Department of Justice dated September 30, 2015, related to the same or related matters. On April 23, 2016, the Company entered into a settlement agreement with the United States Department of Justice regarding the foregoing investigation. The settlement fully resolves disputed charges under the DTCI Contract, and all related claims have been dismissed with prejudice, waived and released. The Company denied that any wrongdoing occurred.

6. Property and Equipment

The following table outlines the Company’s property and equipment:

(In millions)	December 31, 2016	December 31, 2015
Property and Equipment		
Land	$ 442.0	$ 359.5
Buildings and leasehold improvements	503.8	476.8
Vehicles, tractors, trailers and tankers	1,194.2	1,440.5
Machinery and equipment	370.9	325.9
Office and warehouse equipment	113.3	79.5
Computer software and equipment	503.1	379.3
	3,127.3	3,061.5
Less: Accumulated depreciation and amortization	(589.9)	(209.3)
Total Property and Equipment, net	$ 2,537.4	$ 2,852.2

Depreciation of property and equipment and amortization of computer software was $466.0 million, $203.0 million and $35.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. Assets represented by capital leases, net of accumulated depreciation, were $100.1 million and $57.7 million at December 31, 2016 and 2015, respectively. The net book value of capitalized internally-developed software totaled $132.1 million and $122.8 million as of December 31, 2016 and 2015, respectively.

7. Intangible Assets

The following table outlines the Company’s identifiable intangible assets:

	December 31, 2016		December 31, 2015	
(In millions)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangibles				
Customer relationships	$ 1,848.3	326.3	$ 2,017.0	$ 174.3
Trade name	47.5	39.9	51.0	29.1
Non-compete agreements	16.0	10.9	18.7	6.8
	$ 1,911.8	$ 377.1	$ 2,086.7	$ 210.2

Estimated future amortization expense for amortizable intangible assets for the next five years is as follows:

(In millions)	2017	2018	2019	2020	2021
Estimated amortization expense	$ 161.0	$ 153.5	$ 147.4	$ 141.4	$ 134.1

Actual amounts of amortization expense may differ from estimated amounts due to changes in foreign currency exchange rates, additional intangible asset acquisitions, impairment of intangible assets, accelerated amortization of intangible assets and other events.

Intangible asset amortization expense recorded in sales, general and administrative expense was $174.4 million, $160.8 million and $62.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

8. Goodwill

The following table shows changes in the gross carrying amounts of goodwill. The 2016 adjustments are the result of 2015 acquisitions for which the measurement period remained open, as well as the impact of foreign exchange translation.

(In millions)	Transportation	Logistics	Total
Goodwill at December 31, 2014	$ 577.0	$ 352.3	$ 929.3
Acquisitions	1,942.6	1,792.9	3,735.5
Impact of foreign exchange translation	(23.7)	(37.1)	(60.8)
Litigation liability adjustments, net of tax	10.5	—	10.5
Other adjustments	(1.7)	(2.2)	(3.9)
Goodwill at December 31, 2015	2,504.7	2,105.9	4,610.6
Divestiture	(290.6)	—	(290.6)
Property and equipment and intangible asset fair value adjustments	95.8	40.0	135.8
Other fair value adjustments	140.5	(54.6)	85.9
Deferred tax and other tax adjustments	(53.1)	(29.6)	(82.7)
Impact of foreign exchange translation	(46.8)	(86.4)	(133.2)
Goodwill at December 31, 2016	$ 2,350.5	$ 1,975.3	$ 4,325.8

9. Debt

The following table summarizes the primary terms for components of debt, along with the valuation of financial liabilities within the fair value hierarchy:

	December 31, 2016				December 31, 2015			
			Fair Value				Fair Value	
(In millions)	Principal Balance	Carrying Value	Level 1	Level 2	Principal Balance	Carrying Value	Level 1	Level 2
ABL Facility	$ 30.0	$ 30.0	$ —	$ 30.0	$ —	$ —	$ —	$ —
Senior Notes due 2023	535.0	527.1	560.4	—	—	—	—	—
Senior Notes due 2022	1,600.0	1,579.9	1,689.4	—	1,600.0	1,577.0	1,479.8	—
Senior Notes due 2021	527.1	520.7	546.0	—	544.4	536.6	—	507.5
Senior Notes due 2019	—	—	—	—	900.0	900.4	920.3	—
Senior Notes due 2018	265.8	267.1	274.0	—	265.8	268.2	—	271.0
Term loan facility	1,481.9	1,439.2	—	1,507.1	1,600.0	1,540.3	—	1,590.0
Senior Debentures due 2034	300.0	200.8	241.6	—	300.0	199.0	—	201.0
Convertible senior notes	49.4	47.1	129.8	—	52.3	46.8	89.1	—
Euro private placement notes due 2020	12.6	13.7	—	14.0	13.1	14.5	—	13.9
Asset financing	145.0	145.0	145.0	—	266.0	266.0	266.0	—
Capital leases for equipment	97.4	97.4	—	97.4	59.1	59.1	—	59.1
Total debt	$ 5,044.2	$ 4,868.0			$ 5,600.7	$ 5,407.9		
Current maturities of long-term debt	138.9	136.5			133.9	135.3		
Long-term debt	$ 4,905.3	$ 4,731.5			$ 5,466.8	$ 5,272.6		

The Level 1 debt was valued using quoted prices in active markets. The Level 2 debt was valued using bid evaluation pricing models or quoted prices of securities with similar characteristics. The fair value of the asset financing arrangements approximates carrying value since the debt is primarily issued at a floating rate, may be prepaid any time at par without penalty and the remaining life is short-term in nature.

The following table outlines the Company's principal payment obligations on debt (excluding capital leases) for the next five years:

(In millions)	2017	2018	2019	2020	2021
Principal payments on debt	$ 121.7	$ 312.8	$ 20.4	$ 46.1	$ 2,009.5

Senior Notes

On September 12, 2016 (the "Redemption Date"), XPO redeemed all of its outstanding 7.875% Senior Notes due 2019 issued under the Indenture, dated as of August 25, 2014, between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee. The redemption price for the Senior Notes due 2019 was 103.938% of the principal amount of the Senior Notes due 2019, plus accrued and unpaid interest to, but excluding, the Redemption Date. Debt extinguishment costs were $35.2 million.

On August 25, 2016, the Company completed a private placement of $535.0 million aggregate principal amount of 6.125% senior notes due September 1, 2023 ("Senior Notes due 2023"). On June 4, 2015, the Company completed a private placement of $1,600.0 million aggregate principal amount of 6.50% Senior Notes due 2022 and €500.0 million Euro-denominated aggregate principal amount of 5.75% Senior Notes due 2021. In conjunction with the Company's 2015 acquisition of Con-way, the Company assumed Con-way's 7.25% Senior Notes due 2018.

The Senior Notes due 2023 bear interest at a rate of 6.125% per annum payable semiannually, in cash in arrears, on March 1 and September 1 of each year, commencing March 1, 2017 and maturing on September 1, 2023. The Senior Notes due 2022 bear interest at a rate of 6.50% per annum payable semiannually, in cash in arrears, on June 15 and December 15 of each year, commencing December 15, 2015 and maturing on June 15, 2022. The Senior Notes due 2021 bear interest at a rate of 5.75% per annum payable semiannually, in cash in arrears, on June 15 and December 15 of each year, commencing December 15, 2015 and maturing on June 15, 2021. The Senior Notes due 2018 bear interest at a rate of 7.25% per annum payable semiannually, in cash in arrears, on January 15 and July 15 of each year, maturing on January 15, 2018.

The Senior Notes, except for the Senior Notes due 2018, are guaranteed by each of the Company's direct and indirect wholly-owned restricted subsidiaries (other than certain excluded subsidiaries) that are obligors under, or guarantee obligations under, the Company's ABL Facility (or certain replacements thereof) or guarantee certain capital markets indebtedness of the Company or any guarantor of the Senior Notes. The Senior Notes and the guarantees thereof are unsecured, unsubordinated indebtedness of the Company and the guarantors. Among other things, the covenants of the Senior Notes limit the Company's ability to, with certain exceptions: incur indebtedness or issue disqualified stock; grant liens; pay dividends or make distributions in respect of capital stock; make certain investments or other restricted payments; prepay or repurchase subordinated debt; sell or transfer assets; engage in certain mergers, consolidations, acquisitions and dispositions; and enter into certain transactions with affiliates.

Senior Debentures

In conjunction with the Company's acquisition of Con-way, the Company assumed Con-way's 6.70% Senior Debentures due 2034 (the "Senior Debentures") with an aggregate principal amount of $300.0 million. The Senior Debentures bear interest at a rate of 6.70% per annum payable semiannually, in cash in arrears, on May 1 and November 1 of each year, maturing on May 1, 2034. In accordance with ASC 805 "Business Combinations," the Senior Debentures were recorded at fair value on the Con-way acquisition date, resulting in a fair value discount of $101.3 million on October 30, 2015. Including amortization of the fair value adjustment, interest expense on the Senior Debentures is recognized at an annual effective interest rate of 10.96%.

Euro Private Placement Notes

The Euro Private Placement Notes due 2020 have €12.0 million Euro-denominated aggregate principal amount outstanding as of December 31, 2016. The Euro Private Placement Notes due 2020 bear interest at a rate of 4.00% per annum payable annually, in cash in arrears, on December 20 of each year, maturing on December 20, 2020.

The Euro Private Placement Notes are subject to leverage ratio and indebtedness ratio financial covenants, as defined in the agreements. ND is required to maintain a leverage ratio of less than or equal to 3.50 and an indebtedness ratio of less than or equal to 2.00 as of each semi-annual testing date. As of December 31, 2016, the latest semi-annual testing date, ND is in compliance with the financial covenants.

Asset Financing

The asset financing arrangements are unsecured and are used to purchase Company-owned trucks in Europe. The financing arrangements are denominated in USD, EUR, British Pounds Sterling and Romanian New Lei, with primarily floating interest rates. As of December 31, 2016, interest rates on asset financing range from 0.281% to 5.5%, with a weighted average interest rate of 1.38%, and initial terms range from five years to ten years.

ABL Facility

On October 30, 2015, the Company entered into the Second Amended and Restated Revolving Loan Credit Agreement (the "ABL Facility") among XPO and certain of XPO's U.S. and Canadian wholly owned subsidiaries (which include the U.S. subsidiaries of the former Con-way), as borrowers, the other credit parties from time to time party thereto, the lenders party thereto and Morgan Stanley Senior Funding, Inc. ("MSSF"), as agent for such lenders. The ABL Facility replaced XPO's then existing Amended Credit Agreement, and, among other things, (i) increased the commitments under the ABL Facility to $1.0 billion, (ii) permitted the acquisition of Con-way, and the transactions relating thereto, (iii) reduced the margin on loans under the ABL Facility by 0.25% from that contained in the then existing Amended Credit Agreement and (iv) matures on October 30, 2020. Up to $350 million of the ABL Facility is available for issuance of letters of credit, and up to $50 million of the ABL Facility is available for swing line loans. Total unamortized debt issuance costs related to the ABL Facility classified in other long-term assets at December 31, 2016 were $8.1 million.

Availability on the ABL Facility is equal to the borrowing base less advances and outstanding letters of credit. The borrowing base includes a fixed percentage of (i) eligible U.S. and Canadian accounts receivable plus (ii) any eligible U.S. and Canadian rolling stock and equipment. At December 31, 2016, the Company had a borrowing base of $986.5 million and availability under the ABL Facility of $717.4 million at December 31, 2016 after considering outstanding advances of $30.0 million and outstanding letters of credit on the ABL Facility of $239.1 million. XPO may from time to time increase base availability under the ABL Facility up to $1.0 billion less any then outstanding letters of credit by including into the borrowing additional rolling stock and equipment. A maximum of 20% of the borrowing base can be attributable to the equipment and rolling stock in the aggregate. As of December 31, 2016, the Company was in compliance with the ABL Facility’s financial covenants.

The ABL Facility is secured on a first lien basis by the assets of the credit parties which constitute ABL Facility priority collateral and on a second lien basis by certain other assets. ABL Facility priority collateral consists primarily of U.S. and Canadian accounts receivable as well as any U.S. and Canadian rolling stock and equipment included by XPO in the borrowing base. The Company’s borrowings under the ABL Facility will bear interest at a rate equal to LIBOR or a Base Rate, as defined in the agreement, plus an applicable margin of 1.50% to 2.00%, in the case of LIBOR loans, and 0.50% to 1.00%, in the case of Base Rate loans. The interest rate on outstanding borrowings at December 31, 2016 was 2.26%. The ABL Facility contains representations and warranties, affirmative and negative covenants and events of default customary for agreements of this nature.

Among other things, the covenants in the ABL Facility limit the Company’s ability to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make certain investments and restricted payments; and enter into certain transactions with affiliates. In certain circumstances, such as if availability is below certain thresholds, the ABL Facility also requires the Company to maintain a Fixed Charge Coverage Ratio (as defined in the ABL Facility) of not less than 1.00 to 1.00. As of December 31, 2016, the Company is in compliance with this financial covenant. If an event of default under the ABL Facility shall occur and be continuing, the commitments thereunder may be terminated and the principal amount outstanding thereunder, together with all accrued unpaid interest and other amounts owed thereunder, may be declared immediately due and payable. Certain subsidiaries acquired by the Company in the future may be excluded from the restrictions contained in certain of the foregoing covenants.

Convertible Senior Notes

The Convertible Senior Notes bear interest at a rate of 4.50% per annum payable semi-annually, in cash in arrears, on April 1 and October 1 of each year, maturing on October 1, 2017. The Convertible Senior Notes are included in current maturities of long-term debt at December 31, 2016.

During the year ended December 31, 2016, the Company issued an aggregate of 173,158 shares of the Company’s common stock to certain holders of the Convertible Senior Notes in connection with the conversion of $2.8 million aggregate principal amount of the Convertible Senior Notes. The conversions were allocated to long-term debt and equity in the amounts of $2.6 million and $2.8 million, respectively. A loss on conversion of $0.2 million was recorded as part of the transactions. Certain of these transactions represented induced conversions pursuant to which the Company paid the holder a market-based premium in cash. The negotiated market-based premiums, in addition to the difference between the current fair value and the book value of the Convertible Senior Notes, were reflected in interest expense. The number of shares of common stock issued in the foregoing transactions equals the number of shares of common stock presently issuable to holders of the Convertible Senior Notes upon conversion under the original terms of the Convertible Senior Notes.

Under certain circumstances at the election of the holder, the Convertible Senior Notes may be converted until the close of business on the business day immediately preceding April 1, 2017, into cash, shares of the Company’s common stock, or a combination of cash and shares of common stock, at the Company’s election, at the initial conversion rate of approximately 60.8467 shares of common stock per $1,000 in principal amount, which is equivalent to an initial conversion price of approximately $16.43 per share. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its Convertible Senior Notes in connection with such corporate event in certain circumstances. On or after April 1, 2017, until the close of business on the business day immediately preceding the maturity date of October 1, 2017, holders may convert their Convertible Senior Notes at any time.

Term Loan Facility

On October 30, 2015, XPO entered into a Senior Secured Term Loan Credit Agreement (the "Term Loan Credit Agreement") that provided for a single borrowing of $1.6 billion on the date thereof. The Term Loan Credit Agreement was issued at an original issue discount of $32.0 million.

On August 25, 2016, the Company entered into an Incremental and Refinancing Amendment (Amendment No. 1 to Credit Agreement) (the "Amendment"), by and among XPO, its subsidiaries signatory thereto, as guarantors, the lenders party thereto and MSSF, in its capacity as administrative agent (the "Administrative Agent"), amending the Term Loan Credit Agreement, by and among XPO, the other subsidiaries from time to time party thereto, as guarantors, the lenders from time to time party thereto and the Administrative Agent.

Pursuant to the Amendment, the outstanding $1,592.0 million principal amount of term loans under the Term Loan Credit Agreement (the "Existing Term Loans") were replaced with a like aggregate principal amount of new term loans (the "New Term Loans") having substantially similar terms as the Existing Term Loans, other than with respect to the applicable interest rate and prepayment premiums in respect of certain voluntary prepayments. Of the $1,592.0 million of term loans which were refinanced, $1,197.2 million were exchanged and represent a non-cash financing activity. The interest rate margin applicable to the New Term Loans was reduced from 3.50% to 2.25%, in the case of base rate loans, and from 4.50% to 3.25%, in the case of LIBOR loans. The interest rate at December 31, 2016 was 4.25%. Debt extinguishment costs related to various lenders exiting the syndicate were $18.0 million.

In addition, pursuant to the Amendment, the Company borrowed an additional $400.0 million of Incremental Term B-1 Loans (the "Incremental Term B-1 Loans") and an additional $50.0 million of Incremental Term B-2 Loans (the "Incremental Term B-2 Loans"). The New Term Loans, Incremental Term B-1 Loans and Incremental Term B-2 Loans have identical terms, other than with respect to original issue discount, and will mature on October 30, 2021.

On November 3, 2016, the Company used the proceeds from sale of the North American Truckload operations to repurchase $555.0 million of Term Loan debt at par. The repurchase of debt resulted in a non-cash debt extinguishment charge of $16.5 million in the fourth quarter of 2016.

On the last business day of each fiscal quarter, commencing with the fiscal quarter ending March 31, 2016, a portion of the principal amount in an amount equal to 0.25% of the loan amount is to be repaid. The repurchase of debt in November 2016 satisfied the principal payments required per this provision of the agreement. In addition, commencing with the fiscal year ending December 31, 2016, the Company must prepay an aggregate principal amount of the Term Loan Facility equal to (a) 50% of Excess Cash Flow, as defined in the agreement, if any, for the most recent fiscal year ended minus (b) the sum of (i) all voluntary prepayments of loans during such fiscal year and (ii) all voluntary prepayments of loans under the ABL Facility or any other revolving credit facilities during such fiscal year to the extent accompanied by a corresponding permanent reduction in the commitments under the credit agreement or any other revolving credit facilities in the case of each of the immediately preceding clauses (i) and (ii), to the extent such prepayments are funded with internally generated cash flow, as defined in the agreement; provided, further, that (x) the Excess Cash Flow percentage shall be 25% if the Consolidated Secured Net Leverage Ratio of Borrower, as defined in the agreement, for the fiscal year was less than or equal to 3.00:1.00 and greater than 2.50:1.00 and (y) the Excess Cash Flow percentage shall be 0% if the Consolidated Secured Net Leverage Ratio of Borrower for the fiscal year was less than or equal to 2.50:1.00. The remaining principal is due at maturity. As of December 31, 2016, the Company's Consolidated Secured Net Leverage Ratio was less than 2.50:1.00; therefore, no excess cash payment is required.

10. Employee Benefit Plans

Defined Benefit Pension Plans

The Company maintained two separate defined benefit pension plans for certain employees in the United Kingdom. These plans consisted of the Christian Salvesen Pension Scheme ("CSPS") and TDG Pension Scheme ("TDGPS" and together with the CSPS, the "UK Plans"). On November 1, 2016, the UK Plans were merged into one plan (the "UK Plan") in order to reduce overhead and administrative costs, resulting in a $41.7 million prior service credit recognized in accumulated other comprehensive income. The amount currently recognized in accumulated other comprehensive income is expected to be recognized as a component of net periodic benefit expense (income) over a period of approximately 26 years. In conjunction with the plan merger, a one-time settlement offer was made to certain UK Plan participants. On November 30, 2016, the settlement was completed, resulting in a payment of plan benefits of approximately $22.3 million and a reduction of the pension benefit obligation. The Company also maintains defined benefit pension plans for certain of its foreign subsidiaries. These international defined benefit pension plans are excluded from the disclosures below due to their immateriality.

The Company also maintains defined benefit pension plans for certain employees in the United States. These pension plans include qualified plans that are eligible for certain beneficial treatment under the Internal Revenue Code of 1986, as amended ("IRC"), as well as non-qualified plans that do not meet the IRC criteria. The Company's qualified defined benefit pension plans consist of a primary qualified defined benefit pension plan and another qualified defined benefit pension plan (the "U.S.

Qualified Plans”). The Company’s non-qualified defined benefit pension plans (collectively, the “U.S. Non-Qualified Pension Plans” and together with the U.S. Qualified Plans, the “U.S. Plans”) consist mostly of a primary non-qualified supplemental defined benefit pension plan and provides additional benefits for certain employees who are affected by IRC limitations on compensation eligible for benefits available under the qualified plans. As a result of the Company’s acquisition of Con-way, the Company maintains defined benefit pension plans sponsored by certain of Con-way’s foreign subsidiaries. These international defined benefit pension plans are excluded from the disclosures below due to their immateriality. Both the U.S. Plans and UK Plan do not allow for new plan participants or additional benefit accruals.

Defined benefit pension plan obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The projected benefit obligation is a measure of benefits attributed to service to date assuming that the plan continues in effect and that estimated future events (including turnover and mortality) occur. The net periodic benefit costs are determined using assumptions regarding the projected benefit obligation and the fair value of plan assets as of the beginning of the year. Net periodic benefit costs are recorded in sales, general and administrative expense. The funded status of the defined benefit pension plans, which represents the difference between the projected benefit obligation and the fair value of plan assets, is calculated on a plan-by-plan basis. The Company did not have defined benefit pension plans prior to June 2015.

Funded Status of Defined Benefit Pension Plans

The following tables provide a reconciliation of the changes in the plans’ projected benefit obligations as of December 31:

	U.S. Qualified Plans		U.S Non-Qualified Plans		UK Plan	
(In millions)	2016	2015	2016	2015	2016	2015
Projected benefit obligation at beginning of year	$ 1,665.8	$ —	$ 73.0	$ —	$ 1,287.7	$ —
From acquisitions	—	1,685.8	—	74.1	—	1,393.4
Interest cost	76.1	12.7	3.3	0.5	40.5	28.6
Plan amendment	—	—	—	—	(41.7)	—
Actuarial loss (gain)	63.7	(23.0)	3.0	(0.7)	262.4	(65.3)
Foreign currency exchange rate changes	—	—	—	—	(238.7)	(37.5)
Benefits paid	(60.6)	(9.7)	(5.4)	(0.9)	(52.7)	(31.5)
Settlement	—	—	—	—	(22.3)	—
Projected benefit obligation at end of year	$ 1,745.0	$ 1,665.8	$ 73.9	$ 73.0	$ 1,235.2	$ 1,287.7

The following tables provide a reconciliation of the changes in the plans' fair value of plan assets as of December 31:

	U.S. Qualified Plans		U.S Non-Qualified Plans		UK Plan	
(In millions)	2016	2015	2016	2015	2016	2015
Fair value of plan assets at beginning of year	$ 1,619.9	$ —	$ —	$ —	$ 1,203.8	$ —
From acquisitions	—	1,659.4	—	—	—	1,290.5
Actual return (loss) on plan assets	140.8	(29.8)	—	—	291.4	(30.3)
Employer contributions	—	—	5.4	0.9	14.2	10.3
Benefits paid	(60.6)	(9.7)	(5.4)	(0.9)	(52.7)	(31.5)
Settlement	—	—	—	—	(22.3)	—
Foreign currency exchange rate changes	—	—	—	—	(227.6)	(35.2)
Fair value of plan assets at end of year	$ 1,700.1	$ 1,619.9	$ —	$ —	$ 1,206.8	$ 1,203.8

The following table provides the funded status of the plans as of December 31:

(In millions)	U.S. Qualified Plans 2016	U.S. Qualified Plans 2015	U.S Non-Qualified Plans 2016	U.S Non-Qualified Plans 2015	UK Plan 2016	UK Plan 2015
Funded Status:						
Fair value of plan assets	$ 1,700.1	$ 1,619.9	$ —	$ —	$ 1,206.8	$ 1,203.8
Projected benefit obligation	1,745.0	1,665.8	73.9	73.0	1,235.2	1,287.7
Funded status at end of year	$ (44.9)	$ (45.9)	$ (73.9)	$ (73.0)	$ (28.4)	$ (83.9)
Funded Status Recognized in Balance Sheet:						
Long-term assets	$ 18.1	$ 17.3	$ —	$ —	$ —	$ —
Current liabilities	—	—	(5.4)	(5.2)	—	—
Long-term liabilities	(63.0)	(63.2)	(68.5)	(67.8)	(28.4)	(83.9)
Total liability at end of year	$ (44.9)	$ (45.9)	$ (73.9)	$ (73.0)	$ (28.4)	$ (83.9)
Plans with projected and accumulated benefit obligation in excess of plan assets:						
Projected and accumulated benefit obligation	$ 1,725.5	$ 1,645.7	$ 73.9	$ 73.0	$ 1,235.2	$ 1,287.7
Fair value of plan assets	1,662.6	1,582.5	—	—	1,206.8	1,203.8
Weighted-average assumptions as of December 31:						
Discount rate	4.35%	4.65%	4.35%	4.65%	2.70%	3.75%

The following table provides amounts included in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit expense as of December 31, 2016:

(In millions)	U.S. Qualified Plans	U.S Non-Qualified Plans	UK Plan
Actuarial gain (loss)	$ (33.5)	$ (2.3)	$ (28.9)
Prior-service credit	—	—	41.1
Accumulated other comprehensive income (loss)	(33.5)	(2.3)	12.2

The following table sets forth the amount of net periodic benefit cost and amounts recognized in other comprehensive income or loss for the year ended December 31:

(In millions)	U.S. Qualified Plans 2016	U.S. Qualified Plans 2015	U.S Non-Qualified Plans 2016	U.S Non-Qualified Plans 2015	UK Plan 2016	UK Plan 2015
Net periodic benefit expense (income):						
Interest cost	$ 76.1	$ 12.7	$ 3.3	$ 0.5	$ 40.5	$ 28.6
Expected return on plan assets	(88.4)	(15.4)	—	—	(58.4)	(34.6)
Amortization of prior-service cost (credit)	—	—	—	—	(0.5)	—
Recognized AOCI gain (loss) due to settlements	—	—	—	—	(0.1)	—
Net periodic benefit expense (income)	$ (12.3)	$ (2.7)	$ 3.3	$ 0.5	$ (18.5)	$ (6.0)
Amounts recognized in other comprehensive income or loss:						
Actuarial loss (gain)	$ 11.3	$ 22.2	$ 3.0	$ (0.7)	$ 29.4	$ (0.5)
Prior-service cost	—	—	—	—	(41.7)	—
Recognized AOCI gain (loss) due to settlements	—	—	—	—	0.1	—
Reclassification of prior-service cost to net periodic benefit expense (income)	—	—	—	—	0.5	—
Loss (gain) recognized in other comprehensive income or loss	$ 11.3	$ 22.2	$ 3.0	$ (0.7)	$ (11.7)	$ (0.5)

Approximately $1.5 million of the amount currently recognized in other comprehensive income (loss) is expected to be recognized as a component of net periodic benefit expense (income) for the year ended December 31, 2017.

The following table outlines the weighted-average assumptions used to determine the net periodic benefit cost at December 31, 2016 and 2015:

	U.S. Qualified Plans		UK Plan	
	2016	2015	2016	2015
Discount rate	4.65%	4.55%	3.75%	3.60%
Expected long-term rate of return on plan assets	5.58%	5.57%	5.40%	5.00%

No rate of compensation increase was assumed as the plans are frozen to additional participant benefit accruals. As of December 31, 2016, the impact of a 25 basis point decrease in the discount rate would increase the projected benefit obligation by approximately $61.9 million, $1.9 million and $54.4 million for the U.S. Qualified Plans, U.S. Non-Qualified Plans and UK Plan, respectively.

Expected benefit payments for the defined benefit pension plans are summarized below. These estimates are based on assumptions about future events. Actual benefit payments may vary from these estimates.

(In millions)	U.S. Qualified Plans	U.S Non-Qualified Plans	UK Plan
Year ending December 31:			
2017	$ 70.9	$ 5.4	$ 44.3
2018	75.1	5.4	45.6
2019	79.5	5.4	49.2
2020	84.2	5.4	50.5
2021	88.4	5.3	51.7
2022-2026	498.6	25.3	295.5

Plan Assets

U.S. Qualified Plans

The U.S. Qualified Plans' assets are segregated from those of the Company and are managed pursuant to a long-term liability driven asset allocation strategy that seeks to mitigate the funded status volatility by increasing exposure to fixed income investments over time. This strategy was developed by analyzing a variety of diversified asset-class combinations in conjunction with the projected liabilities.

The current investment strategy is to achieve a mix of approximately 76% in fixed income securities and 24% of investments in equity securities. The target allocations for fixed income securities includes 7% in global opportunistic fixed income. The target allocations for equity securities include 14% in U.S. companies and 10% in international companies. Investments in equity and fixed income securities consist of individual securities held in managed separate accounts as well as commingled investment funds. The investment strategy does not include a meaningful long-term investment allocation to cash and cash equivalents; however, the cash allocation may rise periodically in response to timing considerations regarding contributions, investments, and the payment of benefits and eligible plan expenses. The Company evaluates its defined benefit plans' asset portfolios for the existence of significant concentrations of risk. Types of investment concentration risks that are evaluated include, but are not limited to, concentrations in a single entity, industry, foreign country and individual fund manager. As of December 31, 2016, there were no significant concentrations of risk in the Company's defined benefit plan assets.

The investment policy does not allow investment managers to use market-timing strategies or financial derivative instruments for speculative purposes. However, financial derivative instruments are used to manage risk and achieve stated investment objectives regarding duration, yield curve, credit and equity exposures. Generally, the investment managers are prohibited from short selling, trading on margin, and trading commodities, warrants or other options, except when acquired as a result of the purchase of another security, or in the case of options, when sold as part of a covered position.

The assumption of 5.58% for the overall expected long-term rate of return in 2016 was developed using asset allocation, return, risk (defined as standard deviation), and correlation expectations. The return expectations are created using long-term historical returns and current market expectations for inflation, interest rates and economic growth.

UK Plan

The UK Plan’s assets are segregated from those of the Company and invested by trustees, which include Company representatives, with the goal of meeting the UK Plan’s projected future pension liabilities. The trustees' investment objectives are to meet the performance target set in the deficit recovery plan of the UK Plan in a risk-controlled framework. The actual asset allocations of the UK Plan are in line with the target asset allocations. The implied target asset allocation of the UK Plan consists of 28% matching assets (UK gilts and cash) and 72% growth assets (consisting of government and credit - commingled funds, illiquid credit, hedge funds, dynamic asset allocation, and risk parity). The target asset allocations of the UK Plan includes acceptable ranges for each asset class, which are typically +/- 10% from the target.

The risk parity and dynamic asset allocation categories include investments in multi-asset funds. These funds are designed to provide a diversified exposure to markets with less volatility than equities. Collateral assets consist of UK gilts and cash, which are used to back derivative positions that hedge the sensitivity of the liability to changes in interest rates and inflation. Approximately 85% of the actuarial liability sensitivities were hedged as of December 31, 2016. The derivative positions are also used to gain a synthetic exposure to equity markets. The expected return over 2016 is 5.40%. The approach to determine the expected long-term rate of return on plan assets is consistent with the one used for the U.S. Plans.

The following table sets forth the fair values of investments held in the pension plans by major asset category as of December 31, as well as the percentage that each asset category comprises of total plan assets:

(Dollars in millions)	December 31, 2016					
Asset Category (U.S. Qualified Plans)	**Level 1**	**Level 2**	**Level 3**	**Not Subject to Leveling**	**Total**	**Percentage of Plan Assets**
Cash and Cash Equivalents						
Short-term investment fund	$ —	$ —	$ —	$ 40.7	$ 40.7	2.3 %
Equity						
U.S. large companies						
S&P 500 futures	(0.3)	—	—	—	(0.3)	— %
Growth	75.0	—	—	—	75.0	4.4 %
Value	88.0	—	—	—	88.0	5.2 %
U.S. Small Companies						
Value	31.9	—	—	—	31.9	1.9 %
International						
Growth	60.7	—	—	—	60.7	3.6 %
Value fund [a]	—	—	—	65.8	65.8	3.9 %
Fixed Income Securities						
Global long-term debt instruments [a]	148.2	893.4	—	296.7	1,338.3	78.7 %
Total U.S. Plan Assets	$ 403.5	$ 893.4	$ —	$ 403.2	$ 1,700.1	100.0 %
Asset Category (UK Plan)						
Cash and Cash Equivalents	$ 63.1	$ —	$ —	$ —	$ 63.1	5.2 %
Fixed Income Securities						
Government	—	248.1	—	—	248.1	20.6 %
Government and credit - commingled funds [a]	—	—	—	247.2	247.2	20.5 %
Illiquid credit [a] [b]	—	—	—	33.7	33.7	2.8 %
Derivatives						
Equity [a]	—	13.3	—	21.3	34.6	2.9 %
Interest rate	—	78.3	—	—	78.3	6.5 %
Currencies	—	(1.0)	—	—	(1.0)	(0.1)%
Hedge Funds [a] [c]	—	—	—	34.6	34.6	2.9 %
Diversified Multi-Asset Funds						
Risk parity [a]	—	—	—	224.2	224.2	18.5 %
Dynamic asset allocation [a]	—	—	—	244.0	244.0	20.2 %
Total UK Plan Assets	$ 63.1	$ 338.7	$ —	$ 805.0	$ 1,206.8	100.0 %

[a] In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total defined benefit pension plan assets.

[b] The underlying investments in the fund consist primarily of commercial mortgage-backed securities and real estate loans.

[c] The fair value of the fund is based on the fair value of the underlying assets, substantially all of which is invested in the York Credit Opportunities Master Fund, L.P., an exempted limited partnership formed under the laws of the Cayman Islands. The fund offers very limited liquidity with redemption only allowed on anniversary of investment with 60 days' prior notice.

(Dollars in millions)	December 31, 2015					
Asset Category (U.S. Qualified Plans)	**Level 1**	**Level 2**	**Level 3**	**Not Subject to Leveling**	**Total**	**Percentage of Plan Assets**
Cash and Cash Equivalents						
Short-term investment fund	$ —	$ —	$ —	$ 34.3	$ 34.3	2.2 %
Equity						
U.S. large companies						
S&P 500 futures	0.7	—	—	—	0.7	— %
Growth	91.4	—	—	—	91.4	5.6 %
Value	88.2	—	—	—	88.2	5.4 %
U.S. Small Companies						
Value	27.1	—	—	—	27.1	1.7 %
International						
Growth	66.1	—	—	—	66.1	4.1 %
Value fund [a]	—	—	—	65.9	65.9	4.1 %
Fixed Income Securities						
Global long-term debt instruments [a]	158.1	796.0	—	292.1	1,246.2	76.9 %
Total U.S. Plan Assets	$ 431.6	$ 796.0	$ —	$ 392.3	$ 1,619.9	100.0 %

Asset Category (UK Plans)						
Cash and Cash Equivalents	$ 32.8	$ —	$ —	$ —	$ 32.8	2.7 %
Fixed Income Securities						
Government	—	260.3	—	—	260.3	21.6 %
Government and credit - commingled funds [a]	—	—	—	210.8	210.8	17.5 %
Illiquid credit [a] [b]	—	—	—	55.2	55.2	4.6 %
Derivatives						
Equity [a]	—	—	—	20.8	20.8	1.7 %
Interest rate	—	13.1	—	—	13.1	1.1 %
Currencies	—	(1.6)	—	—	(1.6)	(0.1)%
Hedge Funds [a] [c]	—	—	—	40.6	40.6	3.4 %
Diversified Multi-Asset Funds						
Risk parity [a]	—	—	—	235.2	235.2	19.5 %
Dynamic asset allocation [a]	—	—	—	336.6	336.6	28.0 %
Total UK Plan Assets	$ 32.8	$ 271.8	$ —	$ 899.2	$ 1,203.8	100.0 %

[a] In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820)*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total defined benefit pension plan assets.

[b] The underlying investments in the fund consist primarily of commercial mortgage-backed securities and real estate loans.

[c] The fair value of the fund is based on the fair value of the underlying assets, substantially all of which is invested in the York Credit Opportunities Master Fund, L.P., an exempted limited partnership formed under the laws of the Cayman Islands. The fund offers very limited liquidity with redemption only allowed on anniversary of investment with 60 days' prior notice.

There was no XPO common stock held in plan assets as of December 31, 2016. The U.S. Non-Qualified Pension Plans are unfunded.

Funding

The Company's funding practice is to evaluate its tax and cash position, as well as the funded status of its plans, in determining its planned contributions. The Company estimates that it will contribute $5.4 million to its U.S. Plans and $12.7 million to its UK Plan in 2017; however, this could change based on variations in interest rates, asset returns and other factors.

Defined Contribution Retirement Plans

The Company's cost for defined contribution retirement plans was $59.1 million in 2016 and $13.0 million in 2015.

Postretirement Medical Plan

The Company sponsors a postretirement medical plan that provides health benefits to certain non-contractual employees at least 55 years of age with at least 10 years of service (the "Postretirement Plan"). The Postretirement Plan does not provide employer-subsidized retiree medical benefits for employees hired on or after January 1, 1993.

Funded Status of Postretirement Medical Plan

The following sets forth the changes in the benefit obligation and the determination of the amounts recognized in the consolidated balance sheets for the Postretirement Plan at December 31:

(In millions)	2016	2015
Projected benefit obligation at beginning of year	$ 54.0	$ —
From Con-way acquisition	—	51.0
Service cost – benefits earned during the year	0.5	0.1
Interest cost on projected benefit obligation	2.2	0.3
Actuarial loss (gain)	(2.9)	3.3
Participant contributions	1.9	0.3
Benefits paid	(5.1)	(1.0)
Projected and accumulated benefit obligation at end of year	$ 50.6	$ 54.0
Funded status of the plan	$ (50.6)	$ (54.0)
Amounts recognized in the balance sheet consist of :		
Current liabilities	(3.9)	(4.0)
Long-term liabilities	(46.7)	(50.0)
Net amount recognized	$ (50.6)	$ (54.0)
Discount rate assumption as of December 31	3.90%	4.20%

The following table provides amounts included in accumulated other comprehensive loss that have not yet been recognized in net periodic benefit expense:

(In millions)	2016	2015
Actuarial loss	$ 0.3	$ 3.3
	$ 0.3	$ 3.3

Net Periodic Benefit Expense for Postretirement Medical Plan

Net periodic benefit expense and amounts recognized in other comprehensive income or loss for the years ended December 31 includes the following:

(In millions)	2016	2015
Net periodic benefit expense (income):		
Service cost - benefits earned during the year	$ 0.5	$ 0.1
Interest cost on projected benefit obligation	2.2	0.3
Net periodic benefit expense (income)	$ 2.7	$ 0.4
Discount rate assumption used to calculate interest cost	4.20%	4.10%

Expected benefit payments, which reflect expected future service, as appropriate, are summarized below. These estimates are based on assumptions about future events. Actual benefit payments may vary from these estimates.

(In millions)	Benefit Payments
Year ending December 31:	
2017	$ 3.9
2018	3.9
2019	4.0
2020	4.2
2021	4.3
2022-2025	20.6

The assumed health care cost trend rates used to determine the benefit obligation are as follows:

	2016
Health care cost trend rate assumed for next year	6.49%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%
Year that the rate reaches the ultimate trend rate	2038

Assumed health care cost trends affect the amounts recognized for the Company's postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would not have a material effect on the service and interest cost components of net periodic benefit costs or on the accumulated postretirement benefit obligation.

11. Stockholders' Equity

Series C Convertible Perpetual Preferred Stock and Common Stock

On May 29, 2015, the Company issued and sold 15,499,445 shares (the "2015 Purchased Common Shares") in the aggregate of the Company's common stock, par value $0.001 per share (the "Company Common Stock"), and 562,525 shares (the "2015 Purchased Preferred Stock" and, together with the 2015 Purchased Common Shares, the "2015 Purchased Securities") in the aggregate of the Company's Series C Convertible Perpetual Preferred Stock, par value $0.001 per share, in a private placement. The purchase price per 2015 Purchased Common Share was $45.00 (resulting in aggregate gross proceeds to the Company of approximately $697.5 million), and the purchase price per share of 2015 Purchased Preferred Stock was $1,000 (resulting in aggregate gross proceeds to the Company of approximately $562.5 million). The Company received net proceeds of $1,228.1 million after equity issuance costs which was initially allocated between common and preferred stock based on the relative fair values of each instrument. The 2015 Purchased Preferred Stock was mandatorily convertible into an aggregate of 12,500,546 additional shares of Company common stock subject to the approval of the Company's stockholders. On September 8, 2015, the 2015 Purchased Preferred Stock was automatically converted into 12,500,546 shares of Company common stock. The 2015 Purchased Preferred Stock was issued with an initial conversion price of $45.00 per share. As of May 29, 2015, the Company's common stock price was $49.16. As a result, the conversion feature was issued "in-the-money" and the Company allocated the beneficial conversion feature of $52.0 million to additional paid-in capital. The beneficial conversion feature was contingent upon receiving approval of the Company's stockholders and was therefore recognized in net loss attributable to common shareholders upon receiving stockholder approval on September 8, 2015.

Series B Convertible Perpetual Preferred Stock and Common Stock

On September 17, 2014, the Company issued and sold 10,702,934 shares (the "2014 Purchased Common Shares") in the aggregate of Company Common Stock and 371,848 shares (the "2014 Purchased Preferred Stock" and, together with the 2014 Purchased Common Shares, the "2014 Purchased Securities") in the aggregate of the Company's Series B Convertible Perpetual Preferred Stock, par value $0.001 per share, in a private placement. The purchase price per 2014 Purchased Common Share was $30.66 (resulting in aggregate gross proceeds to the Company of approximately $328.0 million), and the purchase price per share of 2014 Purchased Preferred Stock was $1,000 (resulting in aggregate gross proceeds to the Company of approximately $372.0 million). The Company received net proceeds of $684.2 million after equity issuance costs which was initially allocated between common and preferred stock based on the relative fair values of each instrument. The 2014 Purchased Preferred Stock was mandatorily convertible into an aggregate of 12,128,115 additional shares of Company Common Stock subject to the approval of the Company's stockholders. On December 23, 2014, the 2014 Purchased Preferred Stock was automatically converted into 12,128,115 shares of Company Common Stock. The 2014 Purchased Preferred Stock was issued with an initial conversion price of $30.66. As of September 11, 2014, the Company's common stock price was $34.05. As a result, the conversion feature was issued "in-the-money" and the Company allocated the intrinsic value of the conversion feature of $40.9 million to additional paid-in capital. The beneficial conversion feature was contingent upon receiving the approval of the Company's stockholders and was therefore recognized in net loss attributable to common stockholders upon receiving stockholder approval on December 23, 2014.

February 2014 Common Stock Offering

On February 5, 2014, the Company closed a registered underwritten public offering of 15,000,000 shares of common stock, and on February 11, 2014, the Company closed as part of the same public offering the sale of an additional 2,250,000 shares as a result of the full exercise of the underwriters' overallotment option, in each case at a price of $25.00 per share (together, the "February 2014 Offering"). The Company received $413.2 million in net proceeds from the February 2014 Offering after underwriting discounts and expenses.

Series A Convertible Perpetual Preferred Stock and Warrants

Pursuant to the Company's Certificate of Incorporation, the Board of Directors may establish one or more series of preferred stock. Other than the Series A Convertible Perpetual Preferred Stock, par value $0.001 per share (the "Series A Preferred Stock"), no shares of preferred stock are currently outstanding.

On September 2, 2011, pursuant to the Investment Agreement, dated as of June 13, 2011 (the "Investment Agreement"), by and among Jacobs Private Equity, LLC ("JPE"), the other investors party thereto (collectively with JPE, the "Investors") and the Company, the Company issued to the Investors, for $75.0 million in cash: (i) an aggregate of 75,000 shares of the Series A Preferred Stock with an initial liquidation preference of $1,000 per share, which are convertible into shares of Company common stock at a conversion price of $7.00 per common share (subject to customary anti-dilution adjustments), and (ii) warrants exercisable for shares of Company common stock at an initial exercise price of $7.00 per common share (subject to customary anti-dilution adjustments) (the "Warrants"). As of December 31, 2016, the outstanding Series A Preferred Stock is convertible into 10,319,286 shares of Company common stock and there are outstanding Warrants exercisable for an aggregate of 10,276,314 shares of Company common stock. The Series A Preferred Stock ranks, with respect to dividend rights and rights upon liquidation, winding-up or dissolution of the Company, senior to the Company's common stock and to each other class or series of stock of the Company (including any series of preferred stock) the terms of which do not expressly provide that such class or series ranks senior to or pari passu with the Series A Preferred Stock. The Series A Preferred Stock pays quarterly cash dividends equal to the greater of (i) the "as-converted" dividends on the underlying Company common stock for the relevant quarter and (ii) 4% of the then-applicable liquidation preference per annum. The Series A Preferred Stock is not redeemable or subject to any required offer to purchase, and votes together with the Company's common stock on an "as-converted" basis on all matters, except as otherwise required by law, and separately as a class with respect to certain matters implicating the rights of holders of shares of Series A Preferred Stock.

12. Stock-Based Compensation

On December 20, 2016, the Company held a special meeting of stockholders, at which the Company's stockholders approved the XPO Logistics, Inc. 2016 Omnibus Incentive Compensation Plan (the "2016 Plan"). The 2016 Plan replaces the XPO Logistics, Inc. Amended and Restated 2011 Omnibus Incentive Compensation Plan (the "2011 Plan") and the Con-way Inc. 2012 Equity and Incentive Plan (the "Con-way Plan"), the latter of which was assumed by the Company in connection with the acquisition of Con-way. Any awards granted under the 2011 Plan and the Con-way Plan will remain in effect pursuant to their respective terms.

Under the terms of the 2016 Plan, the Company grants various types of stock-based compensation awards to directors, officers and key employees. The 2016 Plan provides for awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, deferred share units, performance compensation awards, performance units, cash incentive awards and other equity-based or equity-related awards (collectively, "Awards") that the Compensation Committee of the Board of Directors (the "Committee") determines are consistent with the purpose of the 2016 Plan and interests of the Company.

The maximum aggregate number of shares of common stock that may be delivered pursuant to Awards under the 2016 Plan is 3,400,000 shares. Awards that are settled in cash would not reduce the number of shares available for delivery under the 2016 Plan. In the event of any extraordinary dividend or other extraordinary distribution, recapitalization, rights offering, stock split, reverse stock split, split-up or spin-off, the Committee shall equitably adjust any or all of the number of shares of the Company with respect to which Awards may be granted, including 2011 Plan share limits, the terms of any outstanding Award, the number of shares subject to outstanding Awards, and the exercise price of any Award, if applicable. Any shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued shares or of treasury shares.

The 2016 Plan will continue in effect until December 20, 2026, unless terminated earlier by the Board of Directors. As of December 31, 2016, there were 3,319,710 shares available for issuance under the 2016 Plan.

The Company recognized the following stock-based compensation expense in direct operating expense and sales, general and administrative expense in the consolidated statements of operations:

	Years ended December 31,		
(In millions)	2016	2015	2014
Stock options	$ 1.2	$ 1.9	$ 1.7
Stock appreciation rights	0.6	0.4	—
Restricted stock units	13.0	9.0	5.8
Performance-based restricted stock units	12.8	17.0	—
Cash-settled performance-based restricted stock units	26.9	—	—
Warrants	—	8.5	—
Total stock-based compensation expense	$ 54.5	$ 36.8	$ 7.5

The Company settled the outstanding warrants and certain performance stock awards of ND. The portion of the fair value of the warrants and performance shares not attributable to service performed prior to the acquisition date was recorded as stock-based compensation expense in 2015. The amount of stock-based compensation expense related to the settlement of ND stock awards included in the year ended December 31, 2015 was $18.5 million. The $8.5 million of stock-based compensation related to the warrants was settled in cash during the second quarter of 2015.

The Company settled all outstanding restricted stock awards as well as certain restricted stock units and performance-stock awards of Con-way. All remaining outstanding Con-way equity awards were assumed by the Company, as more fully discussed below. The portion of the fair value not attributable to service performed prior to the acquisition date was recorded as stock-based compensation expense in the post-combination period. The total value of the cash settlement of Con-way stock-based compensation awards in connection with the acquisition was $30.9 million, of which $17.8 million and $10.0 million was settled in cash during 2016 and 2015, respectively.

Stock Options

For employees and officers, stock options typically vest over three to five years after the grant date, have a ten year contractual term, and an exercise price equal to the Company’s stock price on the grant date. For grants to members of the Company’s Board of Directors, stock options vest one year after the grant date, have a ten year contractual term, and an exercise price equal to the Company’s stock price on the grant date.

In connection with the Con-way transaction, each outstanding Con-way stock option was converted into an equivalent intrinsic value of stock options with the same terms and conditions as were applicable prior to the acquisition, resulting in a total of 883,733 stock options assumed by the Company. All assumed stock options were fully vested as of the acquisition date.

The following is a summary of the weighted-average assumptions used to calculate the grant-date fair value using the Black-Scholes option pricing model for newly issued stock options:

	2016	2015	2014
Weighted-average risk-free interest rate	1.8%	1.6%	1.9%
Weighted-average volatility	50.0%	60.7%	50.5%
Weighted-average dividend yield	—	—	—
Weighted-average expected option term (in years)	6.44	6.61	6.44

For stock options with an exercise price equal to the Company’s stock price on the date of grant, the expected term of options granted has been derived based upon the Company’s history of actual exercise behavior and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon the Company’s historical market price at consistent points in a period equal to the expected life of the options. The risk-free interest rate is based on the U.S. Treasury yield curve with a term equal to the expected term of the option in effect at the time of grant.

A summary of stock option award activity for the year ended December 31, 2016 is presented below:

	Stock Options						
	Number of Stock Options	Weighted-Average Exercise Price		Exercise Price Range	Weighted-Average Grant Date Fair Value		Weighted-Average Remaining Term
Outstanding at December 31, 2015	2,004,280	$	16.66	$2.68 - $31.88	$	6.06	4.57
Granted	5,000		22.58	$22.58 - $22.58		11.37	
Exercised	(725,291)		18.20	$2.68 - $27.75		6.59	
Forfeited	(203,435)		29.01	$6.08 - $31.88		2.08	
Outstanding at December 31, 2016	1,080,554	$	13.32	$3.88 - 28.72	$	6.57	5.21
Options exercisable at December 31, 2016	977,179	$	12.10	$3.88 - 28.72	$	5.76	4.88

The intrinsic value of options outstanding and exercisable at December 31, 2016 was $32.2 million and $30.3 million, respectively. As of December 31, 2016, the Company had approximately $1.0 million of unrecognized compensation cost related to stock options which is expected to be recognized over a weighted-average period of 2.07 years.

The total intrinsic value of options exercised during 2016, 2015 and 2014 was $11.7 million, $4.1 million and $1.7 million, respectively. The total cash received from options exercised during 2016, 2015 and 2014 was $13.2 million, $5.2 million, and $0.5 million, respectively.

Restricted Stock Units and Performance-based Restricted Stock Units

The Company has granted RSUs and PRSUs to certain key employees, officers and directors of the Company with various vesting requirements as established by the Compensation Committee of the Board of Directors. The RSUs granted vest based on the passage of time. The vesting of certain RSU awards also is subject to the price of the Company’s common stock exceeding a specified per share price for a designated period of time and continued employment at the Company by the grantee as of the vesting date. The PRSUs granted will vest based on the achievement of certain targets with respect to the Company’s overall financial performance for specified periods. The vesting of certain PRSUs also is subject to the price of the Company’s common stock exceeding a specified per share price for a designated period of time and generally require continued employment at the Company by the grantee as of the vesting date.

In connection with the Con-way transaction, each outstanding RSU not previously settled was converted into an equivalent number of RSUs with the same terms and conditions as were applicable prior to the acquisition, resulting in a total of 661,988 RSUs assumed. Additionally, each outstanding PRSU not previously settled was converted into an equivalent number of PRSUs with the same time-vesting and settlement terms and conditions that existed prior to the acquisition, with the performance-based vesting conditions deemed satisfied at target, resulting in a total of 426,686 RSUs assumed.

The RSUs and PRSUs may vest in whole or in part before the applicable vesting date if the grantee’s employment is terminated by the Company without cause or by the grantee with good reason (as defined in the grant agreement), upon death or disability of the grantee or in the event of a change in control of the Company. Upon vesting, the RSUs and PRSUs result in the issuance of shares of XPO common stock after required minimum tax withholdings. The holders of the RSUs and PRSUs do not have the rights of a stockholder and do not have voting rights until certificates representing shares are issued and delivered in settlement of the awards. The fair value of all grants of RSUs and PRSUs subject to market-based vesting conditions was estimated using the Monte Carlo simulation lattice model.

A summary of RSU and PRSU award activity for the year ended December 31, 2016 is presented below:

	RSUs			PRSUs		
	Number of RSUs	Weighted-Average Grant Date Fair Value		Number of PRSUs	Weighted-Average Grant Date Fair Value	
Outstanding at December 31, 2015	1,558,441	$	23.01	1,987,060	$	21.47
Granted	382,819		30.08	849,018		27.39
Vested	(773,581)		21.61	(228,155)		30.91
Forfeited	(189,859)		25.02	(341,367)		18.62
Outstanding at December 31, 2016	977,820	$	26.60	2,266,556	$	20.88

The total fair value of RSUs vested during 2016, 2015 and 2014 was $26.8 million, $14.3 million and $9.9 million, respectively. Of the 977,820 outstanding RSUs, 931,535 vest subject to service conditions and 46,285 vest subject to service and market conditions.

The total fair value of PRSUs that vested during 2016 and 2015 was $7.2 million and $0.7 million. No PRSUs vested during 2014. Of the 2,266,556 outstanding PRSUs, 1,289,968 vest subject to service and a combination of market and performance conditions and 976,588 vest subject to service and performance conditions.

As of December 31, 2016, the Company had approximately $40.1 million of unrecognized compensation cost related to non-vested RSU and PRSU compensation that is anticipated to be recognized over a weighted-average period of approximately 2.77 years.

Cash-settled Performance-based Restricted Stock Units

In February 2016, the Company entered into employment agreements with its executive officers. Pursuant to these agreements, on February 9, 2016 the Company granted cash-settled PRSUs under the 2011 Plan to each of the executive officers. Twenty-five percent of the PRSUs vest and are settled in cash on each of the first four anniversaries of the grant, subject to the grantee's continued employment through the applicable anniversary and achievement of certain performance targets for each tranche. Cash-settled PRSU awards are measured at fair value initially based on the closing price of the Company’s common stock at the date of grant and are required to be re-measured to fair value at each reporting date until settlement. Compensation expense for cash-settled PRSUs is recognized over the applicable performance periods based on the probability of achieving the performance conditions and the closing price of the Company’s common stock at each balance sheet date. The Company records as a liability (until settlement) the cost of a cash-settled PRSU award for which achievement of the performance condition is deemed probable. At December 31, 2016, the Company had recognized accrued liabilities of $26.9 million using a fair value per PRSU of $43.16.

A summary of cash-settled PRSU award activity for the year ended December 31, 2016 is presented below:

	Number of Cash-settled PRSUs
Outstanding at December 31, 2015	—
Granted	2,508,727
Vested	—
Forfeited	(61,710)
Outstanding at December 31, 2016	2,447,017

As of December 31, 2016, the Company had approximately $78.7 million of unrecognized compensation cost related to non-vested cash-settled PRSU compensation that is anticipated to be recognized over a weighted-average period of approximately 3.0 years and will vary based on changes in the Company's common stock price and the probability of achieving performance targets in future periods.

13. Income Taxes

A summary of income (loss) before taxes related to U.S. and non U.S. operations are as follows:

	Year Ended December 31,		
(In millions)	2016	2015	2014
Operations			
U.S. domestic	$ (69.8)	$ (305.7)	$ (87.2)
Foreign	176.6	23.2	(2.5)
Total pre-tax income (loss)	$ 106.8	$ (282.5)	$ (89.7)

The components of the income tax provision (benefit) consist of the following:

	Year Ended December 31,		
(In millions)	2016	2015	2014
Current			
Federal	$ (10.6)	$ (34.2)	$ —
State and local	6.3	8.8	3.4
Foreign	47.5	26.4	0.5
	43.2	1.0	3.9
Deferred			
Federal	(32.6)	(8.4)	(22.7)
Federal benefit of operating loss carryforwards	33.9	(49.7)	(5.1)
State and local	1.9	(9.3)	(2.7)
State and local benefit of operating loss carrryforward	(4.4)	(8.9)	—
Foreign	(6.6)	(15.6)	0.5
Foreign deferred taxes revalued for enacted rate change	(13.1)	—	—
	(20.9)	(91.9)	(30.0)
Total income tax provision (benefit)	$ 22.3	$ (90.9)	$ (26.1)

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows:

	Year Ended December 31,		
(In percent)	2016	2015	2014
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
State and local taxes, net	4.8	2.2	0.7
Transaction expense	0.9	(3.7)	(1.7)
Loss on convertible debt	—	(0.6)	(2.1)
Foreign tax credit	(10.7)	—	—
Change in valuation allowance	10.7	(3.2)	(1.4)
Nontaxable purchase price adjustment	—	2.2	—
Fuel and employment tax credits	(4.1)	2.0	—
Change in uncertain tax position provision	(4.5)	0.5	0.4
U.S. taxation of foreign earnings	6.6	(2.4)	—
Loss on remeasurement of foreign activities	—	2.6	—
Foreign tax rate differences	(4.2)	—	(0.5)
Impact of tax rate change on deferred taxes	(12.3)	—	—
Excess tax benefits	(4.7)	—	—
All other items	3.4	(2.4)	(1.3)
Net effective tax rate	20.9%	32.2%	29.1%

The tax effects of temporary differences that give rise to significant portions of the noncurrent deferred tax asset and deferred tax liability are as follows:

	Year Ended December 31,	
(In millions)	2016	2015
Deferred tax assets		
Net operating loss and other tax attribute carryforwards	$ 235.1	$ 242.0
Accrued expenses	115.8	125.4
Pension and other retirement obligations	59.6	70.3
Other	71.9	65.2
Total deferred tax asset	482.4	502.9
Valuation allowance	(83.1)	(67.6)
Total deferred tax asset, net	399.3	435.3
Deferred tax liabilities		
Intangible assets	(515.7)	(655.0)
Property & equipment	(392.7)	(541.7)
Other	(60.6)	(58.3)
Total deferred tax liability	(969.0)	(1,255.0)
Net deferred tax liability	$ (569.7)	$ (819.7)

At December 31, 2016 and 2015, the Company had federal net operating losses for all U.S. operations (including those of minority owned subsidiaries) of $284.4 million and $409.7 million, respectively, expiring at various times between 2031 and 2036. At December 31, 2016 and 2015, the tax effect (before federal benefit) of the Company's state net operating losses was $38.2 million and $26.5 million, respectively, expiring at various times between 2017 and 2036.

At December 31, 2016 and 2015, the Company had federal tax credit carryforwards of $25.3 million and $7.4 million, respectively, expiring at various times starting in 2017 with certain credits having an unlimited carryforward period. At December 31, 2016, the Company had state tax credit carryforwards of $4.2 million expiring at various times between 2017 and 2028. At December 31, 2015, the Company had state tax credit carryforwards of $4.6 million expiring at various times between 2016 and 2028.

At December 31, 2016 and 2015, the Company's foreign net operating losses that are available to offset future taxable income were $296.5 million and $267.0 million, respectively. These foreign loss carryforwards will expire at various times between 2017 and 2035 with some losses having an unlimited carryforward period.

On December 30, 2016, Law No. 2016-1917 was published in France enacting a rate reduction from 33.33% to 28% to be phased in over four years starting in 2017. As a result of this change, the company recognized a reduction of its deferred tax liabilities of approximately $13.1 million in its financial statements.

In determining valuation allowances, an assessment of positive and negative evidence was performed regarding realization of the net deferred tax assets in accordance with ASC 740-10. This assessment included the evaluation of scheduled reversals of deferred tax liabilities and the availability of carry forwards. Based on the assessment, as of December 31, 2016, total valuation allowances of $83.1 million were recorded against deferred tax assets. Although realization is not assured, the Company has concluded that it is more likely than not that the remaining deferred tax assets will be realized and as such no valuation allowance has been provided on these assets. The increase in the Company's valuation allowance of $15.5 million is a result of the Company's updated determination that certain federal, state and foreign deferred tax assets do not meet the "more likely than not" criteria during the period based on operating results.

As of December 31, 2016, our foreign subsidiaries have undistributed earnings which could be subject to taxation if repatriated. Deferred tax liabilities have not been recorded for such earnings because it is management's intention to permanently reinvest such undistributed earnings in its non-U.S. subsidiaries. We estimate the amount of unremitted earnings and profits as of December 31, 2016 to be approximately $75.0 million. Due to the uncertainty caused by various methods in which such earnings could be repatriated, it is not practicable to estimate the actual amount of such deferred tax liabilities. The Company would consider and pursue appropriate alternatives to reduce any tax liability that could occur. If, in the future, undistributed earnings are repatriated to the U.S., or it is determined such earnings will be repatriated in the foreseeable future, deferred tax liabilities will be recorded accordingly.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

(In millions)	Year Ended December 31, 2016	2015
Uncertain tax positions, beginning of the year	$ 11.5	$ 6.2
Additions for tax positions of prior years	0.6	0.2
Additions for tax positions from acquisitions	10.3	6.1
Additions for tax positions taken during the current period	0.1	0.5
Reductions due to the statute of limitations	(7.9)	(1.5)
Uncertain tax positions, end of the year	$ 14.6	$ 11.5

The Company recognizes interest and penalties accrued related to uncertain tax positions in the provision for income taxes. For the years ended December 31, 2016 and 2015, $11.4 million and $8.1 million of the unrecognized tax benefits of $14.6 million and $11.5 million, respectively, if resolved favorably, would impact our effective tax rates. The release of the remaining approximately $3.0 million of unrecognized tax benefits would not affect the tax rate upon favorable resolution as the liability would be settled through a holdback provision of an acquisition agreement.

The Company and its wholly owned U.S. subsidiaries file a consolidated Federal income tax return. In addition, its minority owned U.S. subsidiaries file consolidated Federal income tax returns in accordance with U.S. filing requirements. The Company also files unitary or separate returns in various state, local and non-U.S. jurisdictions based on state, local and non-U.S. filing requirements. As a matter of course, various taxing authorities, including the Internal Revenue Service (“IRS”), regularly audit the Company. These audits may result in proposed assessments where the ultimate resolution may result in the Company owing additional taxes. Currently, the Company has no tax years under examination by the IRS. The Company has various non-U.S examinations in process, but at this time, the Company does not expect any of these routine examinations to yield a material assessment. While there are no other Federal, state or local examinations currently in progress, generally, the Federal returns after 2010, state and local returns after 2009 and non-U.S. returns after 2010 are open under relevant statute of limitations and therefore subject to potential adjustment. The Company believes that its tax positions comply with applicable tax law. The Con-way Federal return is closed through 2015.

14. Derivative Instruments

In the normal course of business, the Company is exposed to certain risks arising from business operations and economic factors, including fluctuations in interest rates and foreign currencies. To manage the volatility related to this exposure to fluctuations in interest rates and foreign currencies, the Company uses derivative instruments. The objective of these derivative instruments is to reduce fluctuations in the Company’s earnings and cash flows associated with changes in foreign currency rates and interest rates. These financial instruments are not used for trading or other speculative purposes. The Company has not historically incurred, and does not expect to incur in the future, any losses as a result of counterparty default.

The Company formally documents all relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking cash flow hedges to specific forecasted transactions or variability of cash flow to be paid. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the designated derivative instruments that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. When a derivative instrument is determined not to be highly effective as a hedge or the underlying hedged transaction is no longer probable, hedge accounting is discontinued prospectively.

The following table presents the location on the consolidated balance sheets in which the Company's derivative instruments have been recognized, the fair value hierarchy level applicable to each type of derivative instrument, and the related notional amounts and fair values:

(In millions)	Fair Value Hierarchy Level	Notional Amount	December 31, 2016 Derivative Assets Balance Sheet Location	Derivative Assets Fair Value	Derivative Liabilities Balance Sheet Location	Derivative Liabilities Fair Value
Derivatives designated as hedges:						
Cross-currency swap agreements	Level 2	$ 730.9	Other long-term assets	$ 11.9	Other long-term liabilities	$ (6.9)
Cross-currency swap agreements	Level 2	3.3	Other current assets	0.1	Other current liabilities	—
Interest rate swaps	Level 2	105.4	Other current assets	—	Other current liabilities	(2.3)
Derivatives not designated as hedges:						
Foreign currency option and forward contracts	Level 2	552.2	Other current assets	18.8	Other current liabilities	(1.0)
Foreign currency option and forward contracts	Level 2	742.6	Other long-term assets	26.7	Other long-term liabilities	(5.8)
Total				$ 57.5		$ (16.0)

(In millions)	Fair Value Hierarchy Level	Notional Amount	December 31, 2015 Derivative Assets Balance Sheet Location	Derivative Assets Fair Value	Derivative Liabilities Balance Sheet Location	Derivative Liabilities Fair Value
Derivatives designated as hedges:						
Cross-currency swap agreements	Level 2	$ 730.9	Other long-term assets	$ 0.2	Other long-term liabilities	$ —
Interest rate swaps	Level 2	228.6	Other current assets	—	Other current liabilities	(7.3)
Derivatives not designated as hedges:						
Interest rate swaps	Level 2	43.5	Other current assets	—	Other current liabilities	(0.7)
Foreign currency option contracts	Level 2	235.2	Other current assets	—	Other current liabilities	(1.0)
Total				$ 0.2		$ (9.0)

The following table indicates the amount of gains/(losses) that have been recognized in accumulated other comprehensive loss in the consolidated balance sheets and gains/(losses) recognized in earnings in the consolidated statements of operations for the twelve months ended December 31, 2016, 2015, and 2014 for derivative and nonderivative instruments:

	Recognized in Accumulated Other Comprehensive Income (Loss)			Recognized in Net Income (Loss)		
(In millions)	2016	2015	2014	2016	2015	2014
Derivatives designated as hedges:						
Cross-currency swap agreements	$ 15.3	$ 4.9	$ —	$ —	$ —	$ —
Interest rate swaps	4.4	(1.4)	—	—	—	—
Derivatives not designated as hedges:						
Interest rate swaps	—	—	—	0.7	(1.0)	—
Foreign currency option and forward contracts	—	—	—	43.5	(9.7)	—
Nonderivatives designated as hedges:						
Foreign currency denominated notes	(26.9)	4.7	—	—	—	—
Total	$ (7.2)	$ 8.2	$ —	$ 44.2	$ (10.7)	$ —

Hedge of Net Investments in Foreign Operations

In connection with the issuance of the Senior Notes due 2022, the Company entered into certain cross-currency swap agreements to manage the related foreign currency exchange risk by effectively converting a portion of the fixed-rate USD-denominated Senior Notes due 2022, including the semi-annual interest payments, to fixed-rate, EUR-denominated debt. The risk management objective is to manage foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies and reduce the variability in the functional currency equivalent cash flows of a portion of the Senior Notes due 2022.

During the term of the swap contracts, the Company will receive semi-annual interest payments in June and December of each year from the counterparties based on USD fixed interest rates, and the Company will make semi-annual interest payments in June and December of each year to the counterparties based on EUR fixed interest rates. At maturity, the Company will repay the original principal amount in EUR and receive the principal amount in USD. The Company has designated the cross-currency swap agreements as qualifying hedging instruments and is accounting for these as net investment hedges. The gains and losses resulting from fair value adjustments to the cross-currency swap agreements are recorded in accumulated other comprehensive income to the extent that the cross-currency swaps are effective in hedging the designated risk. The Company did not record any ineffectiveness for the years ended December 31, 2016 and 2015. Cash flows related to the cross-currency swaps are included in operating activities on the consolidated statements of cash flows. The Company does not expect amounts that are currently deferred in accumulated other comprehensive income to be reclassified to income over the next 12 months.

In addition to the cross-currency swaps, the Company uses foreign currency denominated notes as nonderivative hedging instruments of its net investments in foreign operations. During the period that the Senior Notes due 2021 are designated as a net investment hedge, the gains and losses resulting from the exchange rate adjustments to the designated portion of the foreign currency denominated notes are recorded in accumulated other comprehensive income/loss to the extent that the foreign currency denominated notes are effective in hedging the designated risk. As of December 31, 2016, there is no amount of Senior Notes due 2021 included in long-term debt on the consolidated balance sheets that is designated as a net investment hedge of its investments in international subsidiaries that use the EUR as their functional currency. The most recent de-designation occurred in November 2016 and the amount recognized in accumulated other comprehensive income during the period that the Senior Notes due 2021 were designated as a net investment hedge remains in accumulated other comprehensive income as of December 31, 2016 and will remain in accumulated other comprehensive income until the subsidiary is sold, completely liquidated, or deconsolidated due to a change in control. From the de-designation date through December 31, 2016, the gains and losses resulting from exchange rate adjustments to the foreign currency denominated notes are recorded in the statement of operations in foreign currency gain/loss. The Company did not record any ineffectiveness for the years ended December 31, 2016 and 2015. The Company does not expect amounts that are currently deferred in accumulated other comprehensive income/loss to be reclassified to income over the next 12 months.

Interest Rate Hedging

In order to mitigate variability in forecasted interest payments on the Company’s EUR-denominated asset financings that are based on benchmark interest rates (e.g., Euribor), the Company has entered into interest rate swaps. The objective is for the cash flows of the interest rate swaps to offset any changes in cash flows of the forecasted interest payments attributable to changes in the benchmark interest rate. The interest rate swaps convert floating rate interest payments into fixed rate interest payments. The Company has designated the interest rate swaps as qualifying hedging instruments and is accounting for these as cash flow hedges of the forecasted obligations. The gains and losses resulting from fair value adjustments to the designated portion of the interest rate swaps are recorded in accumulated other comprehensive income/loss to the extent that the interest rate swaps are effective in hedging the designated risk. The gains and losses will be reclassified from accumulated other comprehensive income/loss to interest expense on the dates that interest payments accrue, or when the hedged item becomes probable not to occur. The Company is hedging its exposure to the variability in future cash flows for forecasted interest payments through December 2017. During the year ended December 31, 2016, certain interest rate swaps were not designated as hedges. The gains and losses related to the interest rate swaps not designated as hedges are included in interest expense on the consolidated statements of operations. As of December 31, 2016, there is no amount of the Company's interest rate swaps that is not designated as hedges. Cash flows related to the interest rate swaps are included in operating activities on the consolidated statements of cash flows. The Company expects an inconsequential amount that is currently deferred in accumulated other comprehensive income/loss to be reclassified to income over the next 12 months.

Foreign Currency Option and Forward Contracts

In order to mitigate against the risk of a reduction in the value of foreign currency from the Company’s international operations with the EUR and GBP as the functional currency, the Company uses foreign currency option and forward contracts. The foreign currency contracts were not designated as qualifying hedging instruments as of December 31, 2016. The contracts are not speculative and are used to manage the Company’s exposure to foreign currency exchange rate fluctuations and other identified risks. Gains or losses on the contracts are recorded in foreign currency gain/loss in the consolidated statements of operations. Cash flows related to the foreign currency contracts are included in operating activities on the condensed consolidated statements of cash flows. The risk of loss associated with the option contracts is limited to the premium amounts payable.

15. Variable Interest Entities

The Company applies the guidance under ASC 810-10 for the determination of its VIEs and the accounting determination for consolidation. The determination to consolidate these entities is based on a 4-step analysis to first identify those entities in which the Company holds a variable interest. Upon the determination that the Company holds a variable interest in the entity, the Company evaluates the relevant criteria to determine if the entity meets the definition of a VIE. These criteria include evaluating whether the equity investment at risk is insufficient to finance the activities of the entity, the holders of the equity interest lack decision making rights, the equity investment at risk was established with non-substantive voting rights, the holders of the equity investment at risk lack the obligation to absorb losses, and the holders of the equity investment at risk lack the right to receive residual returns. Upon the determination that an entity meets the criteria of a VIE, an evaluation is made over controlling interest and the determination of the primary beneficiary.

Based on the analysis completed, the Company determined it had variable interests in certain VIEs and consolidates these entities because it has the power to direct the activities that significantly affect the VIEs' economic performance, including having operational control over each VIE and operating the VIEs under the XPO brand or policies. The VIEs provide logistics services for their customers. Investors in these entities only have recourse to the assets owned by the entity and not to the Company’s general credit. The Company does not have implicit support arrangements with any VIE. The assets and liabilities of the consolidated VIEs are outlined in the table below.

(In millions)	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 23.5	$ 14.3
Accounts receivable, net of allowance	57.9	54.7
Other current assets	4.2	3.8
Property and equipment, net of accumulated depreciation	6.0	4.8
Other long-term assets	2.6	3.0
Total	$ 94.2	$ 80.6
Liabilities		
Accounts payable	$ 47.9	$ 44.9
Accrued expenses	13.3	8.1
Other current liabilities	8.3	8.9
Other long-term liabilities	9.1	5.2
Total	$ 78.6	$ 67.1

The following table summarizes total revenue and expenses in connection with the Company’s consolidated VIEs. The Company did not have any VIEs prior to its June 2015 acquisition of ND.

	Years ended December 31,	
(In millions)	2016	2015
Revenue	$ 321.0	$ 189.5
Operating expenses	309.8	185.5

16. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share are computed using the two-class method, which is an earnings allocation method that determines earnings (loss) per share for common shares and participating securities. The participating securities consist of the Company's Series A Convertible Perpetual Preferred Stock. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. In periods of loss, no allocation is made to the preferred shares. The dividend rights are defined in the Certificate of Designation of Series A Convertible Perpetual Preferred Stock of XPO Logistics, Inc. filed with the SEC on Form 8-K on September 6, 2011.

(In millions, except per share data)	Year Ended December 31, 2016	2015	2014
Basic earnings (loss) per common share			
Net income (loss) attributable to XPO	$ 69.0	$ (191.1)	$ (63.6)
Preferred stock beneficial conversion charge	—	(52.0)	(40.9)
Convertible preferred dividends	(2.9)	(2.8)	(2.9)
Non-cash allocation of undistributed earnings	(3.0)	—	—
Net income (loss) allocable to common shares, basic	$ 63.1	$ (245.9)	$ (107.4)
Basic weighted-average common shares	110.2	92.8	53.6
Basic earnings (loss) per share	$ 0.57	$ (2.65)	$ (2.00)
Diluted earnings (loss) per common share			
Net income (loss) allocable to common shares, basic	$ 63.1	$ (245.9)	$ (107.4)
Interest from Convertible Senior Notes	1.4	—	—
Net income allocable to common shares, diluted	$ 64.5	$ (245.9)	$ (107.4)
Basic weighted-average common shares	110.2	92.8	53.6
Dilutive effect of non-participating stock-based awards and Convertible Senior Notes	12.6	—	—
Diluted weighted-average common shares	122.8	92.8	53.6
Diluted earnings (loss) per share	$ 0.53	$ (2.65)	$ (2.00)
Potentially dilutive common shares excluded	11.8	25.7	27.4

Certain shares were not included in the computation of diluted earnings per share because the effect was either anti-dilutive or in the case of certain unvested PRSU awards, the contingent performance measure was not met as of December 31, 2016.

17. Quarterly Financial Data (Unaudited)

The Company's unaudited results of operations for each of the quarters in the years ended December 31, 2016 and 2015 are summarized below:

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2016				
Revenue	$ 3,545.7	$ 3,683.3	$ 3,713.8	$ 3,676.6
Operating income (loss)	62.4	170.3	168.8	86.6
Net income (loss)	(19.3)	50.4	21.3	32.1
Net income (loss) attributable to common shareholders	(23.2)	42.6	13.8	27.3
Basic earnings (loss) per share(1)	(0.21)	0.39	0.13	0.25
Diluted earnings (loss) per share(1)	(0.21)	0.35	0.11	0.22
2015				
Revenue	$ 703.0	$ 1,215.9	$ 2,362.0	$ 3,342.3
Operating income (loss)	(4.8)	(30.1)	44.3	(38.0)
Net loss	(14.7)	(78.8)	(35.0)	(63.1)
Net loss attributable to common shareholders	(15.4)	(75.1)	(92.6)	(62.8)
Basic loss per share(1)	(0.20)	(0.89)	(0.94)	(0.58)
Diluted loss per share(1)	(0.20)	(0.89)	(0.94)	(0.58)

(1) The sum of the quarterly net income (loss) attributable to common shareholders and earnings per share may not equal annual amounts due to differences in the weighted-average number of shares outstanding during the respective periods and due to the impact of the two-class method.

18. Segment Reporting and Geographic Information

The Company is organized into two reportable segments: Transportation Services and Logistics Services. Corporate and Eliminations constitute the remaining portions of the Company's operating results required to be presented in order to reconcile the Company's operating results to the condensed consolidated financial statements. The Transportation segment provides freight brokerage, last mile, LTL, full truckload, and global forwarding services. The Logistics segment provides a range of contract logistics services, including highly engineered and customized solutions, value-added warehousing and distribution and other inventory solutions.

The Company's Chief Executive Officer, who is the chief operating decision maker ("CODM"), regularly reviews financial information at the reporting segment level in order to make decisions about resources to be allocated to the segments and to assess their performance. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Asset information by segment is not provided to the Company's CODM as the majority of our assets are managed at the corporate level.

The Company evaluates performance based on the various financial measures of the respective business segments. The following schedule identifies selected financial data for the years ended December 31, 2016, 2015 and 2014, respectively:

(In millions)	Transportation	Logistics	Corporate	Eliminations	Total
Year Ended December 31, 2016					
Revenue	$ 9,457.3	$ 5,323.9	$ —	$ (161.8)	$ 14,619.4
Operating income (loss)	438.0	209.5	(159.4)	—	488.1
Depreciation and amortization	449.1	192.3	2.0	—	643.4
Year Ended December 31, 2015					
Revenue	$ 4,924.4	$ 2,768.4	$ —	$ (69.6)	$ 7,623.2
Operating income (loss)	51.6	81.6	(162.0)	0.2	(28.6)
Depreciation and amortization	226.5	136.9	1.5	—	364.9
Year Ended December 31, 2014					
Revenue	$ 2,140.0	$ 216.6	$ —	$ —	$ 2,356.6
Operating income (loss)	18.9	17.6	(77.4)	—	(40.9)
Depreciation and amortization	79.5	16.3	2.5	—	98.3

For segment reporting purposes by geographic region, revenues are attributed to the sales office location. The following table presents revenues generated by geographical area.

	Year Ended December 31,		
(In millions)	2016	2015	2014
Revenue			
United States	$ 8,758.0	$ 4,278.5	$ 2,141.4
North America (excluding United States)	322.0	166.3	132.0
France	1,902.7	1,018.8	—
United Kingdom	1,700.9	1,063.5	1.8
Europe (excluding France and United Kingdom)	1,644.5	904.6	11.1
Asia	264.3	171.9	66.3
Other	27.0	19.6	4.0
Total	$ 14,619.4	$ 7,623.2	$ 2,356.6

As of December 31, 2016, the Company held long-lived tangible and definite-lived intangible assets outside of the United States of $1,213.3 million.

EXHIBIT INDEX

Exhibit Number	Description
2.1 *	Investment Agreement, dated as of June 13, 2011, by and among Jacobs Private Equity, LLC ("JPE"), each of the other investors party thereto and the registrant (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated June 14, 2011).
2.2 *	Stock Purchase Agreement, dated July 12, 2013, by and among 3PD Holding, Inc., Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair, Mr. James J. Martell and XPO Logistics, Inc. (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated July 12, 2013).
2.3 *	Amendment No. 1 dated August 14, 2013 to Stock Purchase Agreement dated July 12, 2013 by and among the Company, 3PD, Logistics Holding Company Limited, Mr. Karl Meyer, Karl Frederick Meyer 2008 Irrevocable Trust II, Mr. Randall Meyer, Mr. Daron Pair and Mr. James J. Martell (incorporated herein by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K dated August 15, 2013).
2.4 *	Agreement and Plan of Merger, dated as of January 5, 2014, by and among Pacer International, Inc., XPO Logistics, Inc. and Acquisition Sub, Inc. (incorporated by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on January 6, 2014).
2.5 *	Agreement and Plan of Merger, dated as of July 29, 2014, by and among New Breed Holding Company, XPO Logistics, Inc., Nexus Merger Sub, Inc. and NB Representative, LLC, in its capacity as the Representative (incorporated by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on July 30, 2014).
2.6 *	Share Purchase Agreement relating to Norbert Dentressangle SA among Dentressangle Initiatives, Mr. Norbert Dentressangle, Mrs. Evelyne Dentressangle, Mr. Pierre-Henri Dentressangle, Ms. Marine Dentressangle and XPO Logistics, Inc., dated as of April 28, 2015 (incorporated by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on April 29, 2015).
2.7 *	Tender Offer Agreement between XPO Logistics, Inc. and Norbert Dentressangle SA, dated as of April 28, 2015 (incorporated by reference to Exhibit 2.2 to XPO's Current Report on Form 8-K filed with the SEC on April 29, 2015).
2.8 *	Agreement and Plan of Merger, dated as of September 9, 2015, by and among XPO Logistics, Inc., Con-way Inc., Inc. and Canada Merger Corp. (incorporated by reference to Exhibit 2.1 to XPO's Current Report on Form 8-K filed with the SEC on September 10, 2015).
3.1 *	Amended and Restated Certificate of Incorporation of the registrant, dated May 17, 2005 (incorporated herein by reference to Exhibit 3.1 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2007).
3.2 *	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated May 31, 2006 (incorporated herein by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated June 7, 2006).
3.3 *	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated June 20, 2007 (incorporated herein by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (the "June 2007 Form 10-Q")).
3.4 *	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the registrant, dated September 1, 2011 (incorporated herein by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated September 6, 2011 (the "September 2011 Form 8-K"))
3.5 *	2nd Amended and Restated Bylaws of the registrant, dated August 30, 2007 (incorporated herein by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K/A dated September 14, 2007).
3.6 *	Certificate of Amendment to Amended and Restated Certificate of Incorporation of XPO Logistics, Inc. (incorporated by reference to Exhibit 3.1 to XPO's Current Report on Form 8-K filed with the SEC on May 21, 2015)
3.7 *	Text of Amendments to the 2nd Amended and Restated Bylaws of XPO Logistics, Inc. (incorporated by reference to Exhibit 3.2 to XPO's Current Report on Form 8-K filed with the SEC on May 21, 2015).
3.8 *	Certificate of Amendment to Amended and Restated Certificate of Incorporation of XPO Logistics, Inc. (incorporated by reference to Exhibit 3.1 to XPO's Current Report on Form 8-K filed with the SEC on September 8, 2015).

Exhibit Number	Description
4.1 *	Certificate of Designation of Series A Convertible Perpetual Preferred Stock of the registrant (incorporated herein by reference to Exhibit 4.1 of the September 2011 Form 8-K).
4.2 *	Form of Warrant Certificate (incorporated herein by reference to Exhibit 4.2 of the September 2011 Form 8-K).
4.3 *	Registration Rights Agreement, dated as of September 2, 2011, by and among JPE, each of the other holders and designated secured lenders party thereto and the registrant (incorporated herein by reference to Exhibit 4.3 of the September 2011 Form 8-K).
4.4 *	Senior Indenture dated as of September 26, 2012 between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated herein by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K dated September 26, 2012 (the "September 2012 Form 8-K").
4.5 *	First Supplemental Indenture dated as of September 26, 2012 between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee, supplementing the Senior Indenture dated as of September 26, 2012 (incorporated herein by reference to Exhibit 4.2 of the September 2012 Form 8-K).
4.6 *	Form of Indenture for Senior Debt Securities between the Company and one or more banking institutions to be qualified as Trustee pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 4.6 to the registrant's Registration Statement on Form S-3, registration statement no. 333-188848, filed with the Securities and Exchange Commission on May 24, 2013 (the "May 2013 Form S-3")).
4.7 *	Form of Indenture for subordinated Debt Securities between the Company and one or more banking institutions to be qualified as Trustee pursuant to Section 305(b)(2) of the Trust Indenture Act of 1939 (incorporated herein by reference to Exhibit 4.8 to the registrant's May 2013 Form S-3).
4.8 *	Investment Agreement, dated as of September 11, 2014, by and among XPO Logistics, Inc. and the Purchasers set forth on Schedule I thereto (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on September 15, 2014).
4.9 *	Certificate of Designation of Series B Convertible Perpetual Preferred Stock of XPO Logistics, Inc., dated as of September 17, 2014 (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on September 18, 2014).
4.10 *	Form of Investment Agreement, dated as of May 29, 2015, by and among XPO Logistics, Inc. and the Purchasers set forth on Schedule I thereto (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on June 1, 2015).
4.11 *	Indenture, dated as of June 9, 2015, between XPO Logistics, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, The Bank of New York Mellon, London Branch as London Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Paying Agent (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on June 15, 2015).
4.12 *	Certificate of Designation of Series C Convertible Perpetual Preferred Stock of XPO Logistics, Inc., dated as of June 3, 2015 (incorporated by reference to Exhibit 4.2 to XPO's Amendment No. 1 to Current Report on Form 8-K filed with the SEC on June 26, 2015).
4.13 *	Indenture, dated as of August 25, 2016, between XPO Logistics, Inc., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to XPO's Current Report on Form 8-K filed with the SEC on August 26, 2016).
10.1 +*	Amended and Restated 2011 Omnibus Incentive Compensation Plan (incorporated by reference to Exhibit A to XPO Logistics, Inc.'s definitive proxy statement on Schedule 14A filed with the Securities and Exchange Commission on April 27, 2012).
10.2 +*	2001 Amended and Restated Stock Option Plan (incorporated herein by reference to Exhibit 4.1 to the registrant's Registration Statement on Form S-8 dated May 20, 2010).
10.3 +*	Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.4 +*	Form of Performance-Based Restricted Stock Unit Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.5 +*	Form of Option Award Agreement (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011).

Exhibit Number	Description
10.6 +*	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.21 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.7 +*	Form of Option Award Agreement for Non-Employee Directors (2011 Omnibus Incentive Compensation Plan) (incorporated herein by reference to Exhibit 10.22 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.8 +*	Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants from June 2011 through September 2011) (incorporated herein by reference to Exhibit 10.23 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.9 +*	Form of Option Award Agreement (2001 Amended and Restated Stock Option Plan) (grants through May 2011) (incorporated herein by reference to Exhibit 10.24 to the registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011).
10.10 +*	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to XPO’s Current Report on Form 8-K filed with the SEC on March 20, 2014).
10.11 +*	Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to XPO’s Current Report on Form 8-K filed with the SEC on March 20, 2014).
10.12 +*	Form of Performance-Based Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.7 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.13 +*	Form of Amendment to PRSU Agreements, dated March 7, 2016 (incorporated herein by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the SEC on March 8, 2016).
10.14 +*	2016 Omnibus Incentive Compensation Plan (incorporated by reference to Annex A to XPO’s definitive proxy statement on Schedule 14A filed with the SEC on November 21, 2016).
10.15 +	Form of Restricted Stock Unit Award Agreement (Service-Vesting) (2016 Omnibus Incentive Compensation Plan).
10.16 +	Form of Performance-Based Restricted Stock Unit Award Agreement (2016 Omnibus Incentive Compensation Plan).
10.17 +	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (2016 Omnibus Incentive Compensation Plan).
10.18 +*	Form of Employment Agreement, dated as of February 9, 2016, (incorporated by reference to Exhibit 10.1 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.19 +*	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Bradley S. Jacobs, (incorporated by reference to Exhibit 10.2 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.20 +*	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and John J. Hardig, (incorporated by reference to Exhibit 10.4 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.21 +*	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Scott B. Malat, (incorporated by reference to Exhibit 10.6 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.22 +*	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Gordon E. Devens (incorporated by reference to Exhibit 10.5 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.23 +*	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Troy A. Cooper (incorporated by reference to Exhibit 10.3 to XPO’s Current Report on Form 8-K filed with the SEC on February 11, 2016).
10.24 +*	Exhibit A to Employment Agreement, dated as of February 9, 2016, between the registrant and Mario A. Harik (incorporated by reference to Exhibit 10.7 to XPO's Current Report on Form 8-K filed with the SEC on May 5, 2016).

Exhibit Number	Description
10.25 *	Amended and Restated Revolving Loan Credit Agreement, dated as of April 1, 2014, by and among XPO Logistics, Inc. and certain subsidiaries, Morgan Stanley Bank, N.A., Morgan Stanley Senior Funding, Inc., Credit Suisse AG, Cayman Islands Branch, Deutsche Bank AG New York Branch, JPMorgan Chase Bank, N.A., Citibank N.A. and KeyBank National Association as Lenders, and Morgan Stanley Senior Funding, Inc., as Administrative Agent (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on April 4, 2014).
10.26 *	Amendment to Amended and Restated Revolving Loan Credit dated as of August 8, 2014 (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on August 11, 2014).
10.27 *	Amendment No. 2 to the Amended and Restated Credit Agreement among XPO Logistics, Inc. and certain of its wholly owned subsidiaries, as borrowers, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent for such lenders (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on June 2, 2015).
10.28 *	Second Amended and Restated Revolving Loan Credit Agreement, dated as of October 30, 2015, by and among XPO Logistics, Inc. and certain subsidiaries signatory thereto, as borrowers, other credit parties signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on November 2, 2015).
10.29 *	Senior Secured Term Loan Credit Agreement by and among XPO Logistics, Inc., certain subsidiaries signatory thereto, Morgan Stanley Senior Funding, Inc., as agent, and the Lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to XPO's Current Report on Form 8-K filed with the SEC on November 2, 2015).
10.30 *	Incremental and Refinancing Amendment (Amendment No. 1 to Credit Agreement), dated as of August 25, 2016, by and among XPO Logistics, Inc., the subsidiaries signatory thereto, as guarantors, the lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 to XPO's Current Report on Form 8-K filed with the SEC on August 26, 2016).
10.31 +*	Departure Agreement between the Company and Hervé Montjotin dated September 5, 2015 (incorporated by reference to Exhibit 10.4 to XPO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
10.32	Retirement and Release Agreement, dated as of December 1, 2015, by and between XPO Logistics, Inc. and Louis DeJoy.
14	Code of Business Ethics.
21	Subsidiaries of the registrant.
23	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.
32.1**	Certification of the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.
32.2**	Certification of the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Incorporated by reference.

** Furnished herewith.

+ This exhibit is a management contract or compensatory plan or arrangement.

Reconciliation of Non-GAAP Measures
XPO Logistics, Inc.
Consolidated Reconciliation of Net Income to Adjusted EBITDA
(in millions)

	Year Ended December 31, 2016
Net income attributable to common shareholders	$ 63.1
Distributed and undistributed net income	5.9
Noncontrolling interests	15.5
Net income	84.5
Loss on conversion of convertible senior notes	0.2
Loss on debt extinguishment	69.7
Other interest expense	360.9
Income tax provision	22.3
Depreciation & amortization expense	643.4
Unrealized (gain) on foreign currency option and forward contracts	(36.0)
EBITDA	$1,145.0
Transaction & integration costs	73.1
Rebranding costs	30.1
Adjusted EBITDA	$1,248.2

Note: Adjusted EBITDA was prepared assuming 100% ownership of XPO Logistics Europe.

XPO Logistics, Inc.
Free Cash Flow
(in millions)

	Year Ended December 31, 2016
Cash flows provided by operating activities	$ 625.4
Payment for purchases of property and equipment	(483.4)
Proceeds from sales of assets	68.9
Free Cash Flow	$ 210.9

Non-GAAP Financial Measures

This document contains certain non-GAAP financial measures as defined under the rules of the Securities and Exchange Commission ("SEC"), including free cash flow for the twelve-month period ended December 31, 2016, as well as adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") for the twelve-month period ended December 31, 2016.

We believe that the above adjusted financial measures facilitate analysis of our ongoing business operations because they exclude items that may not be reflective of, or are unrelated to, XPO and its business segments' core operating performance, and may assist investors with comparisons to prior periods and assessing trends in our underlying businesses. These adjustments are consistent with how management views our businesses. Management uses these non-GAAP financial measures in making financial, operating and planning decisions and evaluating XPO's and each business segment's ongoing performance.

Accordingly, we believe that free cash flow is an important measure of our ability to repay maturing debt or fund other uses of capital that we believe will enhance stockholder value. We believe that adjusted EBITDA improves comparability from period to period by removing the impact of our capital structure (interest and financing expenses), asset base (depreciation and amortization), tax impacts and other adjustments as set out in the attached tables that management has determined are not reflective of normalized operating activities. Adjusted EBITDA includes adjustments for acquisition costs and related integration and rebranding initiatives. Transaction and integration adjustments are generally incremental costs that result from an acquisition and include transaction costs, restructuring costs, acquisition and integration consulting fees, internal salaries and wages (to the extent the individuals are assigned full-time to integration activities) and certain costs related to integrating and converting IT systems. Rebranding adjustments relate primarily to the rebranding of the XPO Logistics name on our truck fleet and buildings.

Other companies may calculate adjusted EBITDA differently, and therefore our measure may not be comparable to similarly titled measures of other companies. Free cash flow and adjusted EBITDA are not measures of financial performance or liquidity under GAAP and should not be considered in isolation or as an alternative to revenue, net income or cash flows provided (used) by operating activities and other measures determined in accordance with GAAP. Items excluded from adjusted EBITDA are significant and necessary components of the operations of our business, and, therefore, adjusted EBITDA should only be used as a supplemental measure of our operating performance.

As required by SEC rules, we provide reconciliations of these historical measures to the most directly comparable measure under United States generally accepted accounting principles ("GAAP"), which are set forth in the financial tables attached to this document. With respect to our 2017 and 2018 financial targets of adjusted EBITDA and our 2017 and 2017-2018 cumulative targets for free cash flow, each of which is a non-GAAP measure, a reconciliation of the non-GAAP measure to the corresponding GAAP measure is not available without unreasonable effort due to the variability and complexity of the reconciling items described below that we exclude from the non-GAAP target measure. The variability of these items may have a significant impact on our future GAAP financial results and, as a result, we are unable to prepare the forward-looking balance sheet, statement of income and statement of cash flow, prepared in accordance with GAAP that would be required to produce such a reconciliation.

XPOLogistics

BOARD OF DIRECTORS

Bradley S. Jacobs
Chairman and Chief Executive Officer,
XPO Logistics, Inc.

Gena L. Ashe
Executive Vice President, Chief Legal
Officer and Corporate Secretary (retired),
BrightView Landscapes, LLC
(formerly The Brickman Group, Ltd. LLC)

Louis DeJoy
Chief Executive Officer,
Supply Chain (retired),
XPO Logistics, Inc.

Michael G. Jesselson
Lead Independent Director,
XPO Logistics, Inc.
President and Chief Executive Officer,
Jesselson Capital Corporation

Adrian P. Kingshott
Chief Executive Officer,
AdSon LLC

Jason D. Papastavrou
Founder and Chief Investment Officer,
ARIS Capital Management, LLC

Oren G. Shaffer
Vice Chairman and
Chief Financial Officer (retired),
Qwest Communications International, Inc.

FINANCIAL AND OTHER COMPANY INFORMATION:

Copies of XPO Logistics, Inc.'s financial information such as the Company's Annual Report on Form 10-K as filed with the SEC, quarterly reports on Form 10-Q and Proxy Statement are available at the Company's website at *www.xpo.com* or by contacting "Investor Relations" at our corporate executive office address.

ANNUAL MEETING OF STOCKHOLDERS:

The Annual Meeting of Stockholders will be held on May 10, 2017 at 10:00 a.m. Eastern Daylight Time at Five Greenwich Office Park, Greenwich, CT 06831

TRANSFER AGENT:

Computershare Investor Services, LLC
Tel. (877) 581-5548
www.computershare.com/investor

Mailing address - courier:
250 Royall Street
Canton, MA 02021

Mailing address - regular mail:
P.O. Box 30170
College Station, TX 77842-3170

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:

KPMG LLP, Charlotte, NC

COMMON STOCK:

The company's common stock is traded on NYSE under the symbol "XPO."

CORPORATE EXECUTIVE OFFICE:

Five American Lane
Greenwich, CT 06831
Tel. (855) 976-6951

RESULTS MATTER.℠

XPO Logistics, Inc.
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